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December 20, 2010

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Rule – Credit Protection Product Rules Under Reg Z
Docket No. R-1390

“Thank you for helping us while I was ill. Without this insurance, my family would have lost everything.”

-- Mark W., Illinois

This testimonial is from a real person. It was received by Minnesota Life Insurance Company from a consumer who purchased his credit disability policy on his home equity loan through his local credit union. Mark's sentiment illustrates exactly why credit protection products exist in the marketplace. They are not evil. They are not predatory. Consumers do not need to be warned away from them.

Yet that is exactly what the Federal Reserve Board's proposed disclosures do – they insinuate that credit protection products are a rip-off, and that consumers should not buy them. Where would Mark and his family be today had he believed such allegations, and decided not to purchase the product? As Mark states himself, they would have lost everything.

We respectfully object to the Board's proposed disclosures, for a number of reasons which will be explained in this letter. The most important of those reasons, however, is that **consumers will be harmed**. We are sure that this is not the Board's intent, and we urge the Board to either withdraw the proposed disclosures, or to revise them to be more objective, factual, and informative.

We also object to the inclusion of credit protection charges in the finance charge and APR for closed-end mortgage loans.

Finally, we offer other comments with regard to various other portions of the proposal.

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| WE ASK THE BOARD TO RE-EVALUATE THIS PROPOSAL |
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I have been an attorney for 18 years, practicing in the consumer credit market for thirteen years as Counsel in Securian Financial Group's Law Department¹. During this time, I have concentrated extensively in Reg Z. I work with credit unions, banks, and finance companies, advising them as to how to comply with Reg Z's lending and credit protection rules. We err on the side of disclosure and believe in fully explaining the transaction to the borrower. Over these thirteen years, I have followed, and participated in, the Board's various rulemakings, and I have always found the Board's actions to be balanced, reasoned, and informed.

Until now.

This credit protection proposal reflects a change in direction by the Board, marked by an uncharacteristic lack of understanding of the subject matter, a short-sided view of the issues at hand, a reckless disregard for the proposal's impact on consumers and the industry alike, blatant, multiple violations of the Truth-in-Lending Act, and an alarming, targeted bias against a particular group of products that provide value to consumers. I am personally disappointed in the way that the Board has acted in regard to this rulemaking. I am respectfully asking the Board to re-evaluate this proposal, and either withdraw it or significantly revise it to reflect a more balanced, reasoned approach that would benefit both consumers and the industry.

This letter will explain our objections and viewpoints regarding the proposal.

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| THE PROPOSED DISCLOSURES SHOULD BE WITHDRAWN |
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We object to the Board's proposed credit protection product disclosures for the following reasons:

1. The disclosures were buried in a 930-page document described as a proposal to "enhance consumer protections and disclosures for home mortgage transactions as part of the second phase of a comprehensive review". The proposal itself was one of five mortgage-related proposals issued by the Board on the same day (August 16, 2010).
2. The Board exceeds its authority under the Truth-in-Lending Act by expanding the scope and content of the disclosures.
3. The disclosures are inaccurate, misleading, and negatively biased against the products.
4. The disclosures were based on consumer research that was flawed.
5. The disclosures conflict with the OCC Debt Cancellation Rules and the laws of the 50 states.
6. The Board has not demonstrated a need for the expanded disclosures, and the record does not support the Board's actions.

We explain as follows:

¹ Securian Financial Group and its subsidiaries, including Minnesota Life Insurance Company, is a leading provider of credit insurance and debt protection products to financial institutions nationwide. This is 1 of 2 comment letters that Securian will submit in connection with this rulemaking.

1. THE DISCLOSURES WERE BURIED IN A COMPLICATED FLURRY OF RULEMAKING.

The first reason that the proposed disclosures should be withdrawn is because they were “buried in the fine print” of a very complex rulemaking.

Section 553(c) of the federal Administrative Procedures Act states that the agency issuing a proposal “shall give interested persons an opportunity to participate in the rule making”. We believe that this requirement has been obfuscated by the way in which the Board has issued its proposed changes to the credit protection rules.

In 2009, these proposed revisions were part of a combined 1,332-page, two-part proposal to make comprehensive changes to the Reg Z provisions regarding closed-end mortgage loans and home equity lines of credit.² On July 29, 2009, the Board issued a 3-page press release regarding the proposal. This press release characterized the proposal as one “intended to improve the disclosures consumers receive in connection with closed-end mortgages and home-equity lines of credit (HELOCs)”. The press release concentrated solely on the mortgage and HELOC revisions, and made no mention of credit protection products whatsoever.³ Additionally, as part of the issuance, the Board also released a two-page “Highlights” document summarizing the “major changes” contained in the proposal. Again, this document makes no mention of credit protection products at all.⁴

This procedure did not put interested persons on notice that the credit protection revisions were being proposed. As a result, relatively few comments were submitted by industry in 2009. Many in the industry were not given an opportunity to participate in the rulemaking.

Then, on August 16, 2010, this proposal was re-issued, again as a part of comprehensive changes to the mortgage rules under Reg Z. It was also one of five mortgage-related rulemakings released on that day. According to the Board’s issuance, the second proposal reflects the results of consumer testing. On the Board’s website, the proposal is described as a proposal “to enhance consumer protections and disclosures for home mortgage transactions as part of the second phase of a comprehensive review”. In the 2010 press release⁵ regarding the proposal, the text again makes no mention of credit protection products. One must scroll down to the proposed Model Forms (assuming someone reads that far) to find any reference to credit protection products; and even then, they are labeled as “HELOC” and “Closed-end Mortgage” Model Forms. There is no mention that the rules would also apply to consumer (non-real estate-secured) open-end and closed-end loans. In the 2010 Highlights document⁶, it is not until the 6th bullet in the “other provisions” section on Page 2 that the Board mentions that

² The rulemaking was broken into two separate proposals; one 672-page proposal regarding closed-end mortgages, and one 660-page proposal regarding HELOCs. The number of pages is based on the version issued by the Board prior to publication in the Federal Register, rather than the Federal Register version that appears in column format and significantly smaller font size..

³ Attached hereto as Exhibit A.

⁴ Attached hereto as Exhibit B.

⁵ Attached hereto as Exhibit C.

⁶ Attached hereto as Exhibit D.

changes to credit protection product disclosures are being proposed. And again, even then, this bullet is listed under a category heading of, "Other provisions related to *home-secured* credit."

The proposal is also particularly confusing and complex because the 2010 proposal does not incorporate the 2009 changes. The two proposals must be read together, along with the existing provisions of Reg Z, in order to determine exactly what would change under the Board's proposal.

The way in which the changes were proposed has resulted in making many creditors and other interested parties unaware of the rulemaking, or making them believe that it does not apply to them (if, for example, the creditor does not make mortgage loans). This means that many in the industry have been excluded from the rulemaking, and those that are involved, have come late to the game. As I was writing this letter, I saw a first-hand example of this:

On December 7, 2010, Securian received an e-mail from an insurance agency that we work with, stating:

John:

Not trying to second-guess you, but when I look at the proposed rule 1390, it appears to me that it pertains only to loans secured by real estate. Am I wrong?

I'm looking here:

<http://www.federalreserve.gov/newsevents/press/bcreg/20100816e.htm>

Thanks.

LG

The link to which LG is referring is the August 16, 2010 FRB press release.

This e-mail required me to provide this long and "legalese" reply:

Hi John -

The proposed credit protection rules do in fact apply to all loan types, although I agree that that is not clear in the Fed's press release that (LG) attaches below. (This is actually one of our objections to the rulemaking - that it was buried in 930 pages of mortgage rules).

You have to delve into the rule itself to see that it applies to all loan types. It gets a bit legalese, but the proposal not only changes the provisions of Reg Z relating to mortgage credit, but non-mortgage credit as well. In the proposed revision to 226.6(b), which is the provision setting forth the disclosures for open-end consumer credit (e.g., credit cards and revolving lines of credit), it mandates the new credit protection disclosures. This is also the case under proposed new 226.18(n), which mandates the new credit protection disclosures for closed-end consumer credit (non-real estate secured, such as vehicle loans, etc.)

Here are the exact sections of Reg Z that are affected:

Finance Charges under Reg Z, 226.4:

- 226.4(d)(1) (*credit insurance*) and (d)(3) (*debt protection*) can be excluded if all requirements are met; EXCEPT
- 226.4(g) states that 4(d)(1) & (3) do not apply to closed-end mortgage loans;

Open-end Disclosure requirements under 226.6:

- 226.6(a) (*home equity lines of credit disclosures*) requires the same disclosures contained in 4(d)(1) & (3);
- 226.6(b) (*open-end consumer credit disclosures, i.e., not secured by a dwelling*) requires the same disclosures contained in 4(d)(1) & (3); and

Closed-end Disclosure requirements under 226.18:

- 226.18(n) (*closed-end credit disclosures*) requires the same disclosures contained in 4(d)(1) & (3)

In other words:

- the proposed model forms/requirements for credit insurance and debt protection apply to all types of consumer loans.
- For CE mortgages, the disclosures must be given, but the premium/fee cannot be excluded from the finance charge.

So, while it is indeed hard to discern, the proposed credit protection changes definitely apply to all types of credit, not just real-estate secured.

Thanks, Cath

John forwarded my reply to LG, stating, "I hope this helps". To which LG replied, "Very much so. Thanks".

It is apparent in this exchange that this interested party was taken by surprise, and as of 16 days prior to the end of the second comment period, was not aware of the extent and impact of the proposal. He could not discern from the Board's publications that it applied to him or to what extent. He had to seek third-party help to fully understand if or how this rulemaking might apply to him. The Board failed to make him aware of the rulemaking so that he can effectively participate in it.

The obscure way in which the rules were issued also means that proposed disclosures were tested without significant input from the financial institutions who will have to implement them, and industry representatives who have the expertise and knowledge to draft effective, meaningful disclosures.

Securian has spent significant amounts of time, money, and energy trying to raise awareness of this issue among other insurance carriers and financial institutions across the country. Yet, many have heard about it too late to expend resources on this issue or to provide a meaningful response. And certainly many others are still not aware of the credit protection proposal or its impact on them. The Board has effectively excluded many interested persons and valuable input that it could have used to create a more balanced, objective rule. Neither the spirit, nor the language, of APA section 553(c) has been satisfied. This rulemaking should be withdrawn.

2. THE BOARD EXCEEDS ITS AUTHORITY UNDER THE TRUTH-IN-LENDING ACT BY EXPANDING THE SCOPE AND CONTENT OF THE DISCLOSURES.

Our second objection to the Board's proposed disclosures is that it does not have the authority to expand the disclosures under TILA. We explain as follows.

The black-letter law of TILA. The Truth-in-Lending Act clearly sets forth the elements necessary to exclude fees and charges from the finance charge. Additional disclosures promulgated by the Board is not one of those element. Section 106 of TILA, 15 USC 1605, states:

(b) Life, accident, or health insurance premiums included in finance charge.

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.⁷

The Board's Discretionary Authority. While TILA sets forth the requirements under the statute, section 105(a) of TILA generally authorizes the Board to make adjustments and exceptions to TILA to "effectuate the statute's purposes, to prevent circumvention or evasion of the statute, or to facilitate compliance with the statute". 15 U.S.C. 1601(a), 1604(a).

In the 2009 proposal, the Board tries to justify the expansion of the disclosures by stating:

TILA Section 105(a), 15 U.S.C. 1604(a), authorizes the Board to prescribe regulations to carry out the purposes of the act. TILA's purpose includes promoting "the informed use of credit," which "results from an **awareness of the cost thereof by consumers.**" TILA Section 102(a), 15 U.S.C. 1601(a). A premium or charge for credit insurance or debt cancellation or debt suspension coverage is a cost assessed in connection with credit. The credit transaction and the relationship between the creditor and the consumer are the reasons the product is offered or available.⁸

We agree with this analysis of TILA's purpose. However, the Board then goes on to state:

Because the merits of this product have long been debated, the Board believes that consumers would benefit from **clear and meaningful disclosures regarding the costs, benefits, and risks** associated with this product. As discussed more fully in § 226.4(d)(1) and (3), consumer testing showed that without clear disclosures participants were unaware of the voluntary nature, costs, and **eligibility restrictions.** For these reasons, the Board believes that this proposed rule would serve to inform consumers of the cost of this credit product.⁹

(emphasis supplied)

⁷ The Board has appropriately extended this same right to debt cancellation and debt suspension products, as they are substantially similar products to credit insurance.

⁸ 75 FR 58559 (September 24, 2010).

⁹ Id.

The Board has the authority to issue disclosures regarding the cost of the product, because that authority is given to it in TILA. No such authority exists regarding the “merits” of the product, or the “benefits and risks” of the product.¹⁰

The Board also misapplies its discretionary authority under Section 105. Because Congress has directly and unambiguously addressed the requirements necessary to exclude credit protection premiums and fees from the finance charge, the Board must follow that expressly enumerated intent. It is well established that an agency cannot contradict the unambiguous intent of Congress. For example, Chevron, U.S.A., Inc. v. National Resources Defense Council¹¹ has long been considered a leading case in this area. Chevron stated:

When a court reviews an agency's construction of the statute which it administers, it is confronted with two questions. First, always, is the question whether Congress has directly spoken to the precise question at issue. If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress. . . if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.¹²

Similarly, Hess v. Citibank¹³ is a recent case which addressed the Board's authority under TILA. It cited Chevron and stated:

In reviewing the agency's construction of the statute, if Congress has directly spoken to the precise question at issue, then we must give effect to the unambiguously expressed intent. Otherwise, where Congress has “explicitly left a gap for the agency to fill, there is an express delegation of authority to the agency to elucidate a specific provision of the statute by regulation.”¹⁴

Congress has spoken to the precise issue at hand, and that is the requirements necessary to exclude credit protection charges from the finance charge. It sets forth three very specific requirements, and leaves no gap for the Board to fill in. There is simply no ambiguity in TILA Section 106, and therefore the unambiguous language of TILA must be given effect.

Even the Board itself acknowledges that it must follow Congress' intent as set forth in the black letter language of TILA. For example, under the 2009 rulemaking, the Board has proposed to include credit protection charges in the calculation of “points and fees” under the HOEPA mortgage provisions of 226.32, even though those charges can be excluded from the finance charge under the language of TILA. The Board has this authority since, as it correctly points out, TILA at 15 USC 1602(aa)(4)(D)

¹⁰ This is authority given exclusively to state insurance departments for insurance products, and the OCC, NCUA, and state banking departments for debt protection products sold by the creditors that they regulate.

¹¹ 104 S. Ct. 2778 (1984)

¹² *Id.* at 2781-2782

¹³ 459 F.3d 837 (8th Cir. 2006)

¹⁴ *Id.* at 842

provides for the inclusion in the HOEPA calculation of “such other charges as the Board determines to be appropriate”.

It is significant to note that Congress did NOT give the Board similar authority when it comes to the disclosures required to exclude credit protection charges from the finance charge. Following the Board’s own reasoning, if Congress had intended to allow expanded disclosures for credit protection products, it would have stated so in TILA. For example, it could have easily drafted or revised Section 106 to state:

(b) Life, accident, or health insurance premiums included in finance charge.

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit;

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof; *and*

(3) the creditor provides such other disclosures that the Board determines to be appropriate.

Congress, however, has not done this. And it has had plenty of opportunity to do so as it has made numerous amendments to TILA in the past two years. It is simply fact that Congress has had no intention of expanding the content or scope of the disclosures or requirements required to exclude credit protection products from the finance charge. The Board, in the same rulemaking, is citing Congressional intent to justify its actions in one instance, while ignoring Congressional intent in the other. This is not appropriate.

Congress left no ambiguity in TILA section 106, nor did it expressly provide the Board with authority to alter the explicit language of the statute. The Board simply does not have the authority to expand the disclosures. The Board must therefore withdraw the proposed disclosures.

3. THE DISCLOSURES ARE INACCURATE, MISLEADING, AND NEGATIVELY BIASED AGAINST CREDIT PROTECTION PRODUCTS

Even assuming *arguendo* that the Board has authority to expand the scope and content of the disclosures¹⁵, the Board should withdraw the proposed disclosures because they are inaccurate, misleading and biased. This will hurt consumers as well as the industry.

The Board’s proposed disclosures are based on preconceived and uninformed assumptions regarding insurance generally, and credit insurance specifically. As a result, the content of the disclosures are

¹⁵ We do not concede this point.

dangerously misleading and, in some cases, simply inaccurate. The overall tone of the disclosures is also negatively biased against the products. We explain by providing several examples.

The first example of the Board's negative tone is the very first line:

STOP. You do **not** have to buy Credit Life Insurance to get this loan. Go to www.frb.gov/creditprotectionproducts to learn more about this product.

This right away seems like a warning to consumers that they are about to enter into something precarious or dangerous. It sets the tone "right off the bat" for a consumer to be immediately suspicious of the product.

The next "disclosure" that the consumer sees is the following:

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| Do I need this product? | If you already have enough insurance or savings to pay off this loan if you die, you may not need this product. Other types of insurance can give you similar benefits and are often less expensive. |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

This disclosure, right after the consumer has been told to "**STOP**" (as if something dangerous is approaching) acts as a warning label that purchasing this product is unnecessary and therefore may be harmful to the consumer. We explain:

"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product". While this first statement may be technically correct on its face, the connotation when read in context with the following sentence is that the consumer does not need this product.

While it is true that, if a consumer has a \$100,000 term life policy and a \$30,000 vehicle loan, the proceeds of the term life policy could pay off the vehicle loan (if the beneficiary chose to do that).

However, the statement is misleading because it does not provide "the other side of the story". For example, while the consumer may have a \$100,000 term life policy, purchasing credit insurance on the \$30,000 auto loan provides \$30,000 in additional benefits, and ensures that the vehicle loan is paid off and the creditor's lien on the vehicle is extinguished. In such a scenario, the insured's beneficiary will net \$100,000 in life insurance proceeds AND a fully paid-for vehicle with no lien on it. This allows a surviving spouse, for example, to keep the family car.

Additionally, the Board's overly broad "disclosure" does not take into consideration the other debts and obligations of the insured's beneficiary. For example, suppose a consumer has a \$100,000 term life insurance policy, a \$30,000 auto loan, and \$70,000 in student loans. The insured may have enough insurance to pay off his debts; however, it leaves nothing to his beneficiary for living expenses and other uses.

This disclosure also seems to be telling consumers that they should use their other insurance coverages to pay off their debt. If they did that, however, they would deplete or diminish those proceeds,

jeopardizing the objectives for which it was purchased originally, such as sending the kids to college, living expenses, etc.

The Board may believe that this statement is neutral. But it is, in reality, only the Board's opinion. It is slanted and biased against the product and, rather than fully and objectively informing the consumer of the cost of credit, it is voicing the biased opinion that the consumer doesn't need the coverage. The Board is telling a story regarding credit insurance, but it is not telling the whole story. As such, the Board should refrain from telling any story at all. It should stick to the facts and provide only objective, unbiased disclosures that explain the cost of credit, as is required under current TILA and Reg Z.

“Other types of insurance can give you similar benefits and are often less expensive”. This sentence is particularly disturbing. This statement is simply not true in many cases, and could steer consumers away from purchasing credit protection, only to find out later that they did not qualify for individual insurance or that the cost was prohibitive. We explain.

Products with no “similar benefits”. The first thing that is wrong with the Board's statement is that there are several credit protection products that cannot be purchased outside the lending environment. This includes GAP (Guaranteed Asset Protection) and involuntary unemployment insurance. There are no products in the individual insurance market that would pay off a vehicle loan balance if the car is stolen or totaled. There is also no such thing as individual involuntary unemployment insurance in the marketplace today – a consumer cannot contact an agent and simply buy a policy that will pay him cash if he loses his job. Therefore, for GAP, involuntary unemployment insurance, and involuntary unemployment debt cancellation & suspension, this statement is patently false.

Life & Disability Products. Even for products such as credit life and disability insurance, it is short-sided and overly simplistic to just assume the products are similar to, and more expensive than, individual life or disability policies. Providing the Board's disclosure to consumers is dangerous. If consumers were to believe the statement, they could forego purchasing credit life or disability insurance, only to discover later that they do not qualify for individual coverage, or that it is cost-prohibitive. We will explain the differences between credit life and individual life, and the differences between credit disability and individual disability coverage.

Credit Life Insurance. Credit life policies are targeted for a specific purpose and are designed to be easy to obtain for an affordable price. A typical size policy is \$8,000 - \$10,000 dollars, and the underwriting is very relaxed. For example, Minnesota Life's typical credit life insurance policies have one health question, which asks whether in the past 2 years, the consumer has been advised of or treated for cancer; heart attack or stroke; cirrhosis; or HIV/AIDS. The only other eligibility requirement at time of application is that the consumer must be under a certain disclosed age (typically 66 or 70 depending on the state). This is industry norm and is typically mandated by state insurance law. The consumer checks one box and completes a very brief application at loan closing while conveniently sitting in the lender's branch. The cost is mandated by state law and is based only on the loan amount, without consideration of the insured's occupation, health, hobbies, or smoking status. A Minnesota consumer with a \$10,000 loan would pay \$6.15 in the first month for credit life insurance; the cost then decreases each month as the outstanding balance decreases.¹⁶ For a low monthly cost, the

¹⁶ Calculation based on current prima facie rates as set forth in Minnesota Rules, Part 2760.0050.

consumer easily and conveniently obtains enough life insurance to cover the loan, even if he or she has some health issues and regardless of the consumer's occupation, smoking status, or recreational interests.

Individual Term Life Insurance. On the other hand, to purchase individual term life insurance, the consumer typically must apply for, depending on the company, a minimum of \$50,000 or \$100,000 of life insurance. And, unlike the short application used for credit life insurance, the application for term life insurance is lengthy. A typical term life application can be 8-10 pages long and ask over two dozen questions regarding the consumer's health and family history, covering a broad array of health concerns and diseases, including smoking, prescription drugs, cancer, diabetes, seizures, and depression. There are also questions about the applicant's finances, occupation, and recreational interests. Detailed responses are required of all answers, and the consumer's medical records are obtained and reviewed by the insurer. Medical exams are required and, in some cases, blood and urine samples are collected and analyzed. Even if the applicant qualifies for coverage, the cost depends on the following factors: the insured's age, health, family medical history, occupation, recreational interests, and smoking status, as well as the term of the policy, and the amount of the policy benefit.

After all of this, the out-of-pocket cost of the term life policy may not be less than the monthly cost of credit life insurance. For example, if purchasing a typical term life policy of \$100,000 with a five year term in Minnesota, a 45 year old male in the best-rated health category would pay \$6.17 per month for a \$100,000 five-year policy. A 35-year old in "standard" health would also pay \$6.17 per month for the same \$100,000 five-year policy.¹⁷ So, compared to credit life insurance on a \$10,000 loan at a cost of \$6.15 per month, even if a consumer was in excellent health, if he is older than 45, he'd be paying more for term life; if he was in "standard" health and any older than 35, he'd be paying more for term life than credit life.

For example, a 50-year old consumer who smokes may pay as much as \$65.00 per month for such coverage. If that consumer is 60-years old, he would pay \$142.70 per month. Many consumers, especially now, live paycheck to paycheck and cannot afford significant additional expenses such as this.

On-Line Life Insurance. There is also a misconception that it's "cheap and easy" to purchase individual term life insurance on line. I have tested this concept, and it is not true.

In December, 2010, I went on-line at Free Life Term Quote.com. I completed a few short questions and instantly received quotes from 26 different companies for a 20-year, \$250,000 term life policy¹⁸. I am a 42-year old non-smoker, and I classified myself as "Standard" health (choices were Preferred Plus, Preferred, Standard Plus, and Standard). My quotes ranged, depending on company, between \$37.63 and \$85.53. Of course the quote clearly states that these are estimates only and will depend on a medical exam and proper health classification. Factors that are taken into account include smoking status, height/weight, medications, blood pressure, cholesterol, and family medical history. That is as far as I got on-line. I could only request an application, rather than complete one on-line.

¹⁷ Based on rates filed and approved with the Minnesota Commerce Department for Minnesota Life's Advantage Elite 10 term life product.

¹⁸ Attached hereto as Exhibit E.

I also received a phone call and e-mail from an independent insurance agent who would work with me to complete the application process. The e-mail assured me that, if you have high blood pressure or high cholesterol, that “some” companies “may” not hold that against you. The next step would be to work with the agent to decipher 31 different policies to determine what the best cost, exclusions, limitations, etc. may be for me. If I chose to go through this process, and assuming the quotes hold true, \$85 per month would not be cost-prohibitive for me, as I am a single professional who makes good money with no dependents, relatively few expenses, and I live modestly. But it would be significantly more expensive per month than credit insurance on my \$13,000 auto loan, which is approximately \$8.00 per month.

I also took the liberty of asking for other quotes from Free Life Term Quote.com so I could compare costs across various scenarios. One was for me, but I checked the box indicating that I was a smoker. My monthly quotes increased to \$92.53-166.08¹⁹. If I were a smoker, this is more money than I would want to spend monthly, and probably cost-prohibitive for many 42-year old female smokers.

I also asked for a quote for a 42-year old male in Standard health. These premiums would be \$46.64 – 92.75 per month²⁰. If that same person were 52 years old, the premiums increase to \$107.85 – 217.22²¹. And a 64-year old female in Standard health would pay \$208.83 – 331.63 per month²².

As you can see, the monthly cost increases exponentially with age, smoking status, etc. to the point of being cost-prohibitive for many people. There are also fewer policies available to choose from as age and risk increases.

Free Term Life Quote.com was the simplest on-line process I found. I also went to accuquote.com. This was a very lengthy, complex application. First, it asks the consumer to choose the type of coverage being applied for. Choices were 5-, 10-, 15-, 20-, 25-, and 30-year Guaranteed Level Term; Universal Life; To Age 100 Guaranteed; Second-to-Die (Survivorship Insurance); Whole Life; and “Other”. This of course, assumes consumers know something about each of these policy types and can determine which product is right for them.

Next, the app went on to ask height, weight, and rate class (Preferred Plus, Preferred, and Standard). This is one less rate category than Free Term Life Quote.com, implying that coverage may be harder to get or more expensive for some.

The App then asks specific questions regarding health. The first is nicotine/tobacco use. There are 13 choices to choose from, including “I have never smoked”; “I smoke no more than 1 pack per day”; “I smoke more than 1 pack per day”; 5 categories for “I quit *x amount of time* ago” (ranging from less than 1 year to over 5 years ago); “I smoke a pipe”; “I chew tobacco”; and “I am on the ‘Patch’”.

It also asks health questions such as:

¹⁹ Attached hereto as Exhibit F

²⁰ Attached hereto as Exhibit G

²¹ Attached hereto as Exhibit H

²² Attached hereto as Exhibit I

- Do you take prescription medications? (if “yes”, state the name of the medication, the dosage, and the condition it is treating.)
- Have you ever had any health conditions such as diabetes, cardiovascular disease, cancer, depression, or surgeries? (if “yes” please explain)
- Did any of your parents or siblings have cardiovascular disease or cancer, prior to age 70? (if “yes”, please explain including age at onset, diagnosis, and death, if applicable).

The application goes on to ask whether the consumer engages in hazardous activities such as private piloting or scuba diving; whether the consumer has had a DUI/DWI conviction in the past 10 years or more than 2 moving violations in the past 3 years; whether they had been convicted of a felony; and whether they have filed bankruptcy in the past 5 years,

This was all more information or too sensitive of information than I was willing to give over the internet, so I stopped the process. For me, accuquote.com is not a viable alternative for me.

Purchasing Individual Life Insurance. These quotes and applications, of course, assume that a consumer will take the initiative to apply and go through the entire process through to purchase. We know from studies (and my own personal experience) that this is just not happening. The Board may be aware of a USA Today article published on December 3, 2010 that notes that the number of households with life insurance has hit the lowest level in 50 years.²³ Among the statistics cited:

- The percentage of U.S. households with life insurance coverage is at its lowest in 50 years, leaving millions of families without a safety net.
- Only 44% of households have an individual life insurance policy.
- 30% have no individual or employer-provided life insurance.
- Some 11 million households with children younger than 18 — viewed as families with the greatest need for coverage — have no life insurance.

The article notes that this decline exists even though cost of the coverage has decreased significantly from ten years ago. Reasons cited for this decline include:

•**The economic downturn.** More than 40% of families said they haven't purchased life insurance because they have other financial priorities.

At the same time, 40% of families with children under age 18 said they would have immediate trouble paying expenses if the primary breadwinner died.

•**Procrastination.** Unlike auto and mortgage insurance — which are typically mandatory for home and car owners — life insurance is a voluntary purchase. That causes people to put off buying it.

²³ “Households with life insurance hits lowest level in 50 years” by Sandra Block, USA Today, 12/3/10.

•**Fewer insurance agents.** Nearly 80% of families don't have a personal life insurance agent or broker. The decline in premiums for term life insurance has made it more difficult for agents who sell the policies to make enough money to cover their expenses.

It is evident that it simply is not all that easy, or inexpensive, to go out and buy individual life insurance. The Board's position that consumers should forego credit life insurance in favor of individual life insurance is both imprudent and impractical.

Disability insurance. The contrast between credit disability insurance and individual disability insurance is even more stark. Under a typical Securitan credit disability policy, there are two eligibility questions to answer: one asks whether the consumer has been treated for AIDs and whether in the past 2 years has been treated for just three conditions: heart disease, stroke, or cirrhosis. The other question asks if the consumer is presently working 30 hours or more per week outside the home. Additionally, the consumer has to be under a certain age at time of application, which is typically 66 or 70 depending on the state. The consumer checks two boxes and completes a very brief application, while sitting at the loan officer's desk at the financial institution. For \$13.90 per month on a \$10,000 loan²⁴, the consumer will have disability insurance on the loan for as long as he is disabled, even if he had a heart attack or stroke 3 years ago, and regardless of his occupation, smoking status, or age.

Individual disability insurance, on the other hand, is a very complex product. The applications are extremely detailed, and availability and cost depends on myriad factors such as age; the applicant's health; the applicant's family medical history; smoking status; income; occupation and job duties within that occupation; travel; and recreational activities.

Another disadvantageous feature of individual disability insurance policies is a long elimination period. This is the length of time the insured must be disabled before qualifying to receive benefits; they are typically 90 or 180 days in individual policies. This means that, if an insured is not disabled for that length of time, he or she will not receive any benefits. It also means that bills are piling up as the insured waits to qualify for benefits. Being delinquent on loan payments 90 days will cause collection efforts to ensue, which has a devastating impact on a consumer's credit score. Being delinquent 180 days on a mortgage is sure to trigger foreclosure proceedings.

To illustrate, I personally have an individual disability policy through Guardian/Berkshire, one of the leading disability carriers in the country. The application process was long and arduous, and I did not enjoy it. The application was 19 pages long and asked for detailed information such as my occupation, exact job duties (litigation attorneys are more of a risk than non-litigation attorneys); annual earned income for the current year and prior years; other income; my net worth; other existing disability policies, including those through my employer; whether I am, or have contemplated being, a pilot; whether I contemplate a change in residence to, or travel to, a foreign country; and within the past 3 years have I, or have I contemplated, scuba diving, sky diving, hang gliding, or any form of motorized racing. This required me to find and/or attach to the application my tax returns from prior years, my paystubs, and my group disability policy from my employer. It also required me to calculate estimated income, net worth, my group disability monthly benefit, my 401k balance, and myriad other facts and figures. Between gathering the information and getting various questions answered during the

²⁴ Based on prima facie rates for credit disability insurance filed and approved in the state of Minnesota.

application process, it took me weeks to complete the application. I also took a paramed (medical) exam in which blood was drawn to screen for nicotine, illicit drugs, cancer, and AIDS.

I was approved for the policy, although I have riders (exclusions) regarding my acid reflux (even though the acid reflux is controlled by medication), and my cervical spine (I had suffered a very mild whiplash 20 years ago while playing ice hockey and no discernable damage was done to the C-5 disc at issue). This means that if I develop esophageal cancer or other disabling condition due to my acid reflux, or if I somehow suffer a disability connected to any disc within the cervical region of my spine, my carrier will not provide benefits. I pay approximately \$300 per month for a level of benefit that was determined to be appropriate for me based on my current and future income through a complex maze of factors that I found difficult to comprehend, even with the benefit of some experience working in the insurance field. My elimination period is 90 days.

Obtaining individual disability insurance was an exhausting and expensive endeavor for me, but I did it because I am my only wage earner, and there are a couple seriously debilitating conditions in my family history. I was able to afford it because I make a good salary with relatively few expenses, and I have a professional, desk-bound occupation. Many others are not so lucky.

Blue Collar Individual Disability Insurance. Many of the consumers who purchase credit insurance are blue collar workers. I asked my broker to obtain quotes for typical “blue collar” jobs, assuming a \$50,000 annual salary, standard health, and residency in Minnesota. None were available from Guardian/Berkshire, as they have recently exited that particular market. My broker obtained quotes from UnionCentral Life Insurance Company, whom my broker stated was “one of the last blue-collar disability insurance carriers still in the business”. Quotes were obtained for 3 hypothetical consumers in “Class A” job occupations (e.g., electricians, plumbers, construction workers), at ages 30, 45, and 60. The company offered a 5-year term policy only, providing \$2700 per month in benefits. The cost per month for the 30 year old was \$53.26; at age 45 it increases to \$108.98 per month, and at age 60, it is \$290.08 per month. The elimination period is 180 days.²⁵ These quotes assume the person is not a smoker and not a high-rise construction worker or otherwise has particularly dangerous job duties, and assume that no significant health issues exist (or that riders and exclusions would be used for those health issues).

For the youngest of these consumers, \$53.26 may be affordable each month. But for the 45 year old with a family to support, over \$100 per month may be cost prohibitive, as would nearly \$300 for the 60 year old. And note that these workers would have to be disabled for six months before they could receive benefits.

Next, let’s take the case of Mark W from Illinois, the real-life consumer who told us that he and his family would have lost everything had he not purchased credit disability insurance. My insurance broker obtained a hypothetical quote for a consumer similar in demographics to the real Mark W: an Illinois resident who is 46 year old, smokes, and is an assembly worker (which falls under the blue-collar classifications). We again assumed an annual salary of \$50,000. I obtained the quote from Assurity Life Insurance Company²⁶. An assembly worker falls under occupation class, “1A”, the most

²⁵ Excerpts attached hereto as Exhibit J

²⁶ Excerpt attached hereto as Exhibit K

expensive category.²⁷ For \$2,980 in monthly benefits, it would have cost Mark W \$159.86 per month for a 5-year term policy. The elimination period is 90 days.

Contrast that with Mark W's credit disability policy. He took out a home equity loan and paid approximately \$35.00 per month for disability coverage. His elimination period was just 14 days, which means he qualified for coverage before his loan was past due. He received \$600 per month in benefits for as long as he was disabled, which was 9 months. Such coverage was low-cost, easy to obtain, and kept him and his family in his home until he was able to get back on his feet.

I can't imagine where some of these consumers would be had they believed a statement such as, "Other types of insurance can give you similar benefits and are often less expensive" and decided not to purchase credit disability.

Mark W himself has told us where he would be – his family would have lost everything. And the construction worker or electrician or plumber may have found that purchasing disability policies was too expensive for them, or that they did not qualify. In those cases, credit disability insurance could very well be the only protection they have for their families. For the Board to assume that it's quick, easy, and inexpensive for consumers to go out and get their own individual disability insurance is short-sighted and woefully misinformed.

The Board's proposed disclosure does a reprehensible disservice to consumers. It leads consumers to believe that anyone can go out and buy individual insurance easily and inexpensively, and that they should not buy credit protection products. If Mark W had followed that advice, his family would have lost everything. I am sure that this is not the Board's intent. I ask that the Board withdraw this disclosure.

"You may not receive any benefits even if you buy this product." Another example of the Board's inaccurate preconceptions is contained in the following proposed disclosure:

| | |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Can I receive benefits? | <u>You may not receive any benefits even if you buy this product.</u> You meet the age eligibility requirements, but there are other requirements that you must meet. If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly premium. |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

This disclosure apparently is an attempt to tell the consumer that there are eligibility requirements, conditions and exclusions that could prevent the consumer from receiving benefits under the policy. If that had been the way the disclosure was worded, we would have no objection. This is typical of any

²⁷ Other occupations in this class include auto body repair, crane operator, and roofer. Occupations in the "Not eligible" class include occupations with exposure to serious accident or occupational hazards, such as air traffic controller, bartenders, pilots, and entertainers. *Assurity Life Insurance Company Product Guide, Form #16-103-02201 (8/07)*.

insurance product and is clearly spelled out in the product contract that the consumer receives. But the Board's language makes it sound as if the creditor is telling consumers that they do not qualify *right now*. This, along with the exceedingly negative tone, makes this disclosure misleading, and illustrates not only the Board's misunderstanding of the product, but also the Board's negative bias towards credit insurance. This disclosure is a gross generality with an exceedingly alarmist tone. It could easily be construed to mean that the consumer can do everything right and still not receive benefits; the connotation being that the consumer is "getting ripped-off". There is simply no need to use such negative, alarmist language when there is an objective and effective alternative.

For example, in Securian's comment letter responding to the Board's August 2009 credit insurance proposal, we asked the Board to use the following disclosure instead:

There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under this product. You should carefully read our additional information and/or the contract for a full explanation.

This disclosure has been mandated by the OCC and most states under the debt protection rules since 2002. It is objective and factual and tells the consumer where to find further explanation, with no underlying tone of bias or negativity. The reality is that consumers never have a way of knowing, at the time of purchase, whether they will ultimately have a valid claim. This is inherent in any insurance policy, and should not discourage a consumer from applying for coverage. For example, a typical life policy will not cover suicide. For disability policies, there is a limited exclusion for pre-existing conditions, which means a condition that was diagnosed 6 months prior to purchase of the insurance and that causes disability within 6 months after purchase of the coverage. These are narrow exclusions. Suicide is completely controlled by the consumer, and the likelihood of a pre-existing condition affecting coverage can be evaluated by the consumer at time of application, because they know what they've been treated for in the past six months, and can gauge the chances of becoming disabled by it.

Pre-existing Conditions. The pre-existing condition exclusion bears some additional discussion here, because it appears from the Board's rulemaking that it is still confused by the concept. In the 2009 proposal, the Board cited four cases in which consumers were sold policies for which they never qualified for in the first place (i.e., at the time of application). In other words, those consumers could not answer "no" to the eligibility questions contained on the application (e.g., are you over age 70 or do you have an existing condition of the knees or joints). Consumers who answer yes to those questions were not eligible to purchase the coverage (and thus the financial institutions should never have sold those policies to them). This, however, is **NOT** the same thing as the pre-existing condition exclusion.

A pre-existing condition as universally defined in credit protection coverages are conditions that were diagnosed 6 months prior to purchase of the insurance **and** that causes disability within 6 months **after** purchase of the coverage. This means that **neither the consumer nor the financial institution can know at the time of application whether a pre-existing condition will cause the consumer to not receive benefits**. But the consumer will know what conditions, if any, have been recently diagnosed, and can gauge the possibility of becoming disabled in the coming 6 months. For example, if the consumer had quadruple by-pass six weeks ago and is still struggling to walk across a room, he cannot be certified to return to work at his mining job. He already has a reasonable basis to believe that he

won't qualify for benefits, and may not wish to purchase the product at this time. On the other hand, if the consumer does not become disabled until 6 months and 1 day after purchasing the product, he will receive benefits.

Under another example, if the consumer was diagnosed with slightly high blood pressure last week, but has no other particular health issues, he will likely conclude that he has very little chance of becoming disabled in the next six months. In such a case, he can purchase the policy knowing that his high blood pressure is unlikely to cause him to be denied benefits.

If the pre-existing condition exclusion is the Board's concern, I would suggest an alternative disclosure, as follows:

This coverage has a pre-existing condition exclusion. This means that, if you were diagnosed with a condition within the 6 months prior to purchasing this product, and that same condition causes you to become disabled within the 6 months following your purchase, you will be denied disability benefits.

This accurately and objectively explains the risk to the consumer without misleading or exaggerating the issue, which allows the consumer to make an informed decision. It also provides pertinent information which helps the consumer ask the proper questions regarding the exclusion.

So, while there are indeed situations in which a claim may be denied, this possibility in itself does not make the product a "rip-off" and should not dissuade a consumer from purchasing the product. Securix typically denies claims in only 6% of the short-term (consumer) credit insurance cases; 15% in debt protection cases; and 2% in mortgage life cases due to eligibility restrictions and/or a determination that the consumer was never eligible for coverage in the first place (in which case the premium is refunded). As such, there is no reason to alarm and misinform consumers with such a negative, blanket statement that will scare them away from purchasing a product that can provide valuable benefits to the overwhelming majority of claimants.

4. THE BOARD'S CONSUMER RESEARCH WAS FLAWED.

Our fourth objection to the Board's proposed disclosures is that its research was flawed.

Only a total of 57 individuals over the course of 6 rounds of testing were used to determine disclosures that will be given to millions of consumers. Only 8 consumers looked at the final version that was tested. Such a small sample is not sound; no valid conclusions can be made from such a small sampling. Moreover, the very first round of testing showed that consumers understood the current disclosures. Based on the Board's own testing, there was simply no reason to proceed to the various additional migrations of testing and versions of the disclosures.

Moreover, it is significant to note that exactly **zero** consumers looked at the version that is now being proposed; the model forms in the proposal have never actually been tested.

For the disclosures that were tested, the Board emphasizes that consumers understood them. However, because the disclosures contained subjective and inaccurate statements, the participants came away with an inaccurate understanding of credit protection products. They may have understood the

statements that were given to them; but they did not understand the products themselves. For example, the consumers presumably understood, from the statements presented to them, that less expensive products are often available in the marketplace. But this is a false statement. Therefore the study, and its conclusions, are flawed.

The study also does not show that the disclosures caused the consumers to understand credit protection products better than they already did. Rather, the study shows that the consumers understood the statements that were presented to them. It is no different than making a statement that the sky is blue, and then asking the consumers if they understand that the statement was, “the sky is blue”. While this may appear to be a true statement to which we can all agree, if one steps back and looks at it more closely, we know that the statement is really only a half-truth, or at least imprecise. We know that the sky can be gray on a cloudy day; black or green on a stormy day; white on a snowy day; pink, red or orange during sunrise or sunset; and black at night. Therefore it would be accurate to say that the Board’s statement was, “the sky is blue”. But it would not be accurate to say that the sky is blue. The participants agreed to the former, but the Board is saying that they agreed to the latter. The Board’s premise was flawed, and therefore the study, and its conclusions, are flawed.

Moreover, a study by the Consumer Credit Industry Association²⁸ showed that the Board’s disclosures left consumers with something other than an objective and informed understanding of the products. In fact, it left consumers with the same biased opinion of the product that the Board has. According to the CCIA study, many consumers’ impressions after reading the Board’s proposed disclosures were effectively, “why should I buy this when you tell me it’s not a good product?” This proves that the disclosures, and the study, were flawed (unless the Board’s objective was to discourage consumers from buying the products, which I trust is not the case). While the Board may believe that the proposed disclosures are neutral and objective, the CCIA study proves that they are not. This harms consumers, rather than protecting them. I am sure that bringing harm to consumers is not the Board’s intent. The disclosures should be withdrawn.

5. THE DISCLOSURES CONFLICT WITH THE OCC DEBT CANCELLATION RULES AND THE LAWS OF THE 50 STATES

Our fifth objection to the Board’s proposed disclosures is that they conflict with existing law.

The OCC Debt Cancellation and Suspension Rules under 12 CFR Part 37 have been in effect since 2002. The rules apply to debt cancellation, debt suspension, and GAP (collectively referred to as “debt protection”). They provide substantive requirements as well as required short-form and long-form disclosures that must be provided to the consumer prior to purchase. The rules also require the consumer’s written (or similarly authenticated) acknowledgment of receipt of the disclosures and an affirmative, written (or similarly authenticated) election to purchase.

The disclosures are fairly extensive, including:

- That the product is optional and will not affect the consumer’s credit application;
- That a debt suspension feature will only suspend the obligation to repay the loan;

²⁸ Discussed in more detail later in this letter.

- If applicable, activation of the benefits will restrict the use of a revolving credit line;
- Amount of the fee (total fee for closed-end loans; unit-cost for open-end credit);
- That paying a lump sum payment (if applicable) by adding it to the amount financed will increase the cost;
- Whether or not there is a right to a refund of a lump-sum payment if the loan is paid off early;
- Whether or not the consumer can terminate at any time, and the circumstances in which the contract can be cancelled; and
- That there are additional requirements, exclusions, and conditions that could prevent the consumer from obtaining benefits.

The NCUA, in Letter to Credit Unions No. 03-FCU-06 (May 2003), has instructed federal credit unions to use the OCC Rules as “best practices”.

Additionally, virtually all 50 states’ legislatures and/or banking departments have either set forth their own statutes or regulations that mimic the OCC rules, and/or have instructed their entities to follow the OCC rules. These laws apply to state-chartered depositories and state-licensed non-banks. As such, the OCC Debt Cancellation Rules are essentially the “law of the land” across the country for virtually all lenders.

The OCC also has incorporated debt protection programs into their exam procedures. It is a part of the Retail Lending Examination Procedures in the Comptroller’s Handbook. According to the Handbook, the OCC’s objective is to assess the bank’s debt protection programs to determine the implications for income as well as credit quality, program performance, and level of compliance. Within the exam, the examiner is required to assess whether the program is accurately described in the bank’s marketing materials and disclosures; determine whether advertising, marketing, and disclosures complies with the rules, including the disclosures and substantive requirements of the rules. Finally, the examiner will assess the adequacy of the policies, procedures, and practices in place for each program. This includes testing a sample of at least 30 approved and 30 denied claims.

State charters and licensees are also subject to examination by their regulators regarding credit protection products.

At least two of the Board’s disclosures conflict with these laws. First, the cost disclosures mandate a different calculation and disclosure of the cost than the OCC rules. Also, the disclosures regarding exclusions are different.

Additionally, even for the disclosures that don’t conflict with existing law, they are duplicative. This will result in creditors providing two separate, differing sets of lengthy disclosures to the same consumer on the same product. This is unduly burdensome to creditors, and confusing to consumers. The Board should withdraw the credit protection proposal.

6. THE BOARD HAS NOT DEMONSTRATED A NEED FOR THE EXPANDED DISCLOSURES, AND THE RECORD DOES NOT SUPPORT THE BOARD'S ACTIONS

Our sixth and final objection to the Board's proposed disclosures is that the Board has not demonstrated a need for the expanded disclosures. In its 2009 rulemaking, it stated, "concerns have been raised about whether the current disclosures sufficiently inform consumers of the voluntary nature and costs of the product."²⁹ Yet it does not explain the nature of those concerns – who raised them, how they were raised, what they are, etc. The Board does cite four instances in which consumers who never qualified for the products were sold credit protection.³⁰ The first case, *FTC v. Stewart Financial*, is a case demonstrating blatant fraud by the creditor. The loan officers at issue either said nothing about the product, told the borrowers that the coverage was required, or made representations leading the borrowers to believe that it was required. It also sold policies on refinanced loans that already had maximum coverage, and refused to credit the account when a borrower became aware that the coverage was in place. In this case, disclosures were given to the borrowers; the loan officers just contradicted them. Expanding the number and scope of the disclosures would not have prevented this occurrence of fraud.

The second case, *Stewart v. Gulf Guaranty*, involved a borrower who couldn't read. The loan officer did not tell her that coverage was required and there is no evidence in the case to suggest that she did not know the coverage was voluntary. The facts of this case are that the borrower was never given the insurance app, and was then denied benefits based on an arthritic condition that made her ineligible for the coverage at application time. This case has nothing to do with whether the borrower knew that the product was voluntary or not (although the facts imply that she did know it was voluntary). This case does not support the Board's contention at all.

The third case, *Parker v. Protective Life*, was a case in which two borrowers misrepresented their medical conditions. There is no indication in the record that the borrowers thought the product was required. In fact, the dicta of the case suggests that the borrowers very well knew the protection was voluntary, that they knew they wouldn't qualify because of their existing conditions, but they both stated on the insurance application that they had no such excluding conditions, and signed up for coverage anyway. This case does not support the Board's contention.

In the final case, *OCC v. Providian National Bank*, Providian sold credit protection to its credit card holders, but failed to disclose extremely unusual and unreasonable restrictions, such as benefits were not available if the cardholder made more than the minimum payment on the card each month. Additionally, some cardholders were sold the protection even though they were not eligible because they were self-employed. Again, this case does not suggest that the cardholders believed the product to be required. It does not support the Board's position at all.

Moreover, none of these cases even mention the cost of the products. It cannot be concluded from these cases that there were concerns over the cost of the products.

The Board cites no other authority whatsoever as to these "concerns over the voluntary nature and cost of the product".

²⁹ 74 FR 43249 (August 26, 2009)

³⁰ *Id.* at 43248.

On the other hand, the Board's own study, released in 2002, shows very high customer satisfaction with credit protection products. There is no indication that consumers are confused about their coverage, and have not been "duped" into purchasing it.

In 2001, Thomas Durkin of the Federal Reserve Board's Division of Research and Statistics conducted a survey³¹ that led to the following results:

- The number of consumers purchasing credit insurance dropped from 60% in 1985 to 20% in 2001.
- Some consumers do not purchase the product "apparently because creditors do not always offer it, **or at least not vigorously enough for consumers to be aware of any sales efforts**".
- "The proportion of consumers who have felt pressured to purchase appears to have declined over the years".
- In 2001, **only one in 20 purchasers felt that they were led to believe that purchase was required.**
- "Favorable attitudes toward the products among those who purchase credit insurance on installment credit have not changed over time" based on the survey results of 1977, 1985, and 2001. In 2001, the findings were:
 - More than 90% of installment credit users indicated a favorable attitude toward the product.
 - 95% indicated that they would purchase it again.
 - 75% of first-mortgage borrowers indicated a favorable attitude toward the product.
 - 90% of junior-lien mortgage borrowers indicated a favorable attitude toward the product.
- In each of the three surveys (1977, 1985, 2001), a large majority of both insurance purchasers and non-purchasers believed that purchasing credit insurance was irrelevant to whether the creditor was willing to grant credit to the borrower.

(emphasis supplied).

Additionally, according to the National Association of Insurance Commissioners, across the 50 states and consistently for the past five years, consumers have filed one complaint for each 41,814 credit insurance certificates issued (a percentage of 0.00239%). This miniscule number is three times *less* than complaints against individual insurance.³²

Moreover, the Board's own consumer testing in 2009 found that consumers understood the currently-mandated disclosures. In February, 2009, the Board tested disclosures that satisfy the current

³¹ Thomas A. Durkin, *Consumers and Credit Disclosures: Credit Cards and Credit Insurance*, Federal Reserve Bulletin, (2002)

³² NAIC Closed Complaint Summary Index Reports (2005-2009)

disclosure requirements under TILA and Reg Z, section 226.4(d). The Board placed the following language³³ on Page 1 of a mortgage form that it was testing:

OPTIONS WITH ADDITIONAL COSTS

Credit Life Insurance is available for an additional cost of \$50.00 per month for the first 15 years. It is not required for this or any loan. Initial below to add Credit Life Insurance to your loan.

☐ YES, add Credit Life Insurance to my loan. _____
(Initial here)

After testing this disclosure, the Board adopted the following conclusions³⁴:

- *Almost all interview participants understood from their reading of this section of the form that credit life insurance is not required.* All understood that this insurance would have a monthly cost associated with it and that this cost was not included in the monthly payments shown elsewhere on the form.
- *After reading this section of the form, several participants commented that credit life insurance sounded like an important loan feature and indicated that they would want to enroll.*

(emphasis supplied).

This clearly shows, if we are to rely on the Board's own testing, that consumers understood the current disclosures required by TILA. There is simply no evidence in the record that supports the Board making changes to the currently-mandated disclosures under Reg Z.

The Board's Consumer Research is Flawed. The testing should have stopped at the point at which the Board concluded that the consumers understood the current disclosures. But the Board was not satisfied. It directed the testing to continue. The study came to the following conclusion from the round in which it was discovered that consumers understood the disclosures:

- Based on the findings from this round, *the Board staff was concerned that the presence of information about credit life insurance on the first page of the TILA statement increased awareness of the product, but did not make consumers aware that they might not qualify for the product's benefits.* Therefore, the *decision was made to remove this information from the TILA statement and to add language to alert consumers that they might not be eligible for benefits from the insurance.*

(emphasis supplied).³⁵

³³ *Summary of Findings: Design and Testing of Truth in Lending Disclosures for Closed-end Mortgages*, July 16, 2009, submitted to the Federal Reserve Board by ICF Macro and published on the FRB website, Appendix D (Page 144 of the PDF).

³⁴ *Id.* at p. 47

³⁵ *Id.* at page 50.

This is precisely the moment that the Board overstepped its authority, and the record breaks down. The Board has no authority (nor expertise) to counsel consumers on whether they may or may not be eligible for benefits, or whether there may or may not be other alternatives in the marketplace, and whether those alternatives may be less expensive. Moreover, this is the point in time when the tested disclosures became inaccurate and consumers became confused. It also marks the point at which the Board's negative slant becomes evident. For example, in the next round in which the credit insurance disclosures were tested, the Board moved the disclosures to its own separate page, with the following content³⁶:

OPTIONAL COSTS

STOP. You do **not** have to buy this insurance to get this loan. If you have insurance already, this policy may not provide you with any additional benefits. To learn more about credit life insurance, or to find a licensed housing counselor who can help you evaluate your options, go to www.frb.gov.

☐ Yes, I want to purchase optional credit life insurance at an additional cost of \$72 per month for a loan of \$100,000 for a term of 10 years.

Signature of Borrower(s)

Date

After this disclosure was tested, the conclusion was:

- While participants understood most of the content in the credit life insurance disclosure tested this round, most did not realize that purchasing this insurance might not provide them with any additional benefits. Therefore, this information was made more prominent in the version of this disclosure tested in the next round.³⁷ (emphasis supplied).

So, the Board next tested the following disclosure³⁸:

OPTIONAL COSTS

Credit Life Insurance

STOP. You do **not** have to buy this insurance to get this loan.

- If you have insurance already, this policy may not provide you with any additional benefits.
- Other types of insurance can give you similar benefits and are often less expensive.
- Even if you pay for this insurance, you may not qualify to receive any benefits in the future.

To learn more about credit life insurance go to www.frb.gov.

☐ Yes, I want to purchase optional credit life insurance at an additional cost of \$72 per month for a loan of \$100,000 for a term of 10 years.

Signature of Applicant(s)

Date

³⁶ Id at Appendix D, Page 187 of the PDF.

³⁷ Id at p. 66.

³⁸ Id. at p. 197 of the PDF.

After testing this disclosure, it was found that participants still understood that the product was not required and understood what the cost was; that they did not understand the Board's misleading statements regarding not receiving benefits in the future, and "understood" the inaccurate statements regarding "no additional benefits" and "other products are often less expensive". **This round also proved that consumers understood that exclusions such as pre-existing medical conditions or suicide could prevent them from receiving benefits.** (This is an accurate understanding; the Board's characterization is not). The study found that³⁹:

- All participants understood after reading the notice that credit life insurance was not a required feature.
- ***Participants generally understood the first two bulleted statements.*** Most participants were surprised by the third statement, which stated that even if they paid for the insurance they may "not qualify to receive benefits in the future." A few indicated they did not understand how they could pay for the coverage and then receive no benefits. Despite their surprise, participants seemed to understand the statement; all but two correctly indicated that if they purchased the coverage and then died, the insurance would not necessarily pay off their loan. ***Most assumed that the reason a borrower would not be covered would be because of pre-existing medical conditions or suicide.***
- ***When asked whether they would purchase credit life insurance, all but one participant indicated they would not***—in fact, one participant had recently purchased credit life insurance and was planning to re-read the paperwork after the interview. The remaining participant, however, indicated he would purchase credit life insurance after reading the notice.
- When asked how much credit life insurance would cost for a \$200,000 loan, ***five of seven participants correctly answered \$144 per month.*** The remaining two gave the figure shown on the form (\$72 per month), which was the incremental cost for each \$100,000. Two participants were not asked this question.
- Most participants indicated they would be likely to visit the website shown on the notice if they had additional questions about credit life insurance.

(emphasis supplied).

This was the final round of testing in 2009. Based on the Board's own study, it proved that consumers understand the disclosures currently required under TILA – that the product is not required as a condition of obtaining credit, and the cost. Moreover, the Board also proved that it succeeded in giving the consumers an erroneous understanding of the product, and discouraging consumers from purchasing the product.

2010 Testing. Even though the 2009 testing proved that consumers understand the current TILA-mandated disclosures, the Board did not stop there. Instead, it continued with two more rounds of

³⁹ Id. at p. 84.

testing in 2010. This time, it tested the disclosures for HELOCs, and used a unit-cost disclosure when disclosing the cost of the product.⁴⁰

It also tried to make its misleading and inaccurate statements more clear to the consumers. For example, instead of stating that credit insurance may not provide additional benefits (which is an inaccurate statement), it stated that “If you already have enough life insurance or savings to pay off this debt, you may not need this product.”⁴¹ With this change, the Board moved from an inaccurate statement to a biased opinion.

And instead of stating, “Even if you pay for this insurance, you may not qualify to receive any benefits in the future”, it stated:

Note that you may not qualify for benefits if you buy this product. Based on our review you meet the age and employment eligibility restrictions, but there are other requirements that you may or may not meet. If you do not meet these eligibility requirements, even if you purchase this product and pay the monthly premium you will not receive any benefits.⁴²

After testing this disclosure, the study concluded⁴³:

- In participants’ initial reading of the disclosure, eight of the 10 participants commented on the fact that they might not receive benefits even after purchasing the product and making payments for a number of years. In most cases, participants were surprised by this and indicated that it made them less likely to purchase the insurance.
- After reviewing the form, seven of the 10 participants indicated that they would not buy the product. One said that she would buy the product, while two others indicated that they were unsure. Those who were unsure said that they would call their broker or financial advisor for additional information before making a decision.

Even with this overwhelming indictment of credit insurance, the Board apparently was not satisfied with the results. In the second and final round of testing, the Board changed the misleading language yet again. The eligibility language was now changed to read⁴⁴:

| | |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Am I eligible for credit life insurance? | <u>You may not be eligible for benefits even if you buy this product.</u> Based on our review you currently meet the age and employment eligibility requirements, but there are other requirements that you may not meet. If you do not meet these other requirements, you will not receive any benefits—even if you buy this product and pay the monthly premium. |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

⁴⁰ *Summary of Findings: Design and Testing of Periodic Statements for Home Equity Lines of Credit, Disclosures about Changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products*, July 2010, submitted to the Federal Reserve Board by ICF Macro and published on the FRB website, at page 54 of the PDF.

⁴¹ Id.

⁴² Id.

⁴³ Id. at p. 14.

⁴⁴ Id. at p. 55 of the PDF.

The conclusions from this round included⁴⁵:

- After reading the disclosure, five (of eight) participants expressed surprise that they might not receive benefits even after purchasing the product and making payments for a number of years.
- All participants indicated that *based on what they had read in the disclosure*, they would not purchase credit life insurance.

(emphasis supplied).

This was the final round of testing. One could infer that the Board stopped its testing once it had crafted language that convinced all participants not to buy the product.

This testing shows only that the Board succeeded in discouraging consumers from buying the product. The Board tested flawed language, which resulted in flawed results. Because the language is misleading and was tested in a vacuum (e.g., no other information was provided to the consumers to balance the negative slant), it doesn't tell the whole story. Of course the consumers were surprised, and wouldn't want the product; they were essentially told that the product is a "rip-off".

The currently-proposed disclosures have not been tested. We also note that the disclosures that were tested by the eight individuals in the final round of testing are NOT the disclosures that are being currently proposed. As such, the Board has no consumer testing with which to justify the currently proposed disclosures.

The proposal should be withdrawn. The Board's own consumer testing has proven that the currently-required TILA disclosures are understood by consumers. Therefore, this rulemaking is wholly unnecessary and biased. The Board took it upon itself to begin testing based on its own opinion of the product to see if it could sway consumers to its way of thinking. And it was successful - it finally convinced consumers, through its use of inaccurate and negatively biased disclosures, that credit protection products are a rip-off. The fatally-flawed study results do not support changes to the required disclosures. The proposal should be withdrawn.

ADDITIONAL CONCERNS WITH THE PROPOSED DISCLOSURES

The cost disclosure. We have the following concerns and objections to the proposed cost disclosure.

Open-end Disclosure. The proposal requires that a dollar amount be disclosed based on the maximum credit limit of the loan. This is misleading and unhelpful to the consumer. Rarely, if ever, will borrowers immediately max out their line of credit. Instead, borrowers will immediately take a draw that is significantly lower than the maximum credit limit. In such a case, the creditor would be making a disclosure that has no meaning to the borrower, and does NOT tell the borrower what the premium is "now", for the existing draw. We offer two alternatives.

First, we believe the unit-cost disclosure should be retained. The Board has suggested a different disclosure because its consumer research showed that consumers cannot make the calculation needed to determine the cost of the product. In doing so, the Board tested the following disclosure:

⁴⁵ Id. at p. 15-16.

☐ Yes, I want to purchase optional credit life insurance at an additional cost of 72 cents per month per \$1,000 of monthly outstanding balance for a coverage of up to \$10,000.

This run-on sentence is awkward at best, and it is no wonder that consumers did not understand it.

On the other hand, our data shows that consumers can make the calculation, if the following disclosure is used in conjunction with a simple instructional statement:

The cost of this product is \$0.72 per \$1,000 of your outstanding loan balance each month. To calculate the monthly cost of this product, divide your loan amount by 1,000, and then multiply by 0.72.

The Consumer Credit Industry Association (CCIA) tested this disclosure in November, 2010, by providing it to 400 consumers and asking them to calculate the premium for a \$25,000 loan⁴⁶. Of those tested, 67% were able to make the calculation accurately. We therefore ask that the unit cost disclosure be retained for open-end loans, with the additional requirement that the above instructional sentence be included. This will provide the consumer the ability to calculate their premium for any given outstanding balance they may have on their open-end loan at any given time. This provides optimal information to the consumer.

Alternatively, we ask that the disclosure be based on \$1,000 rather than the maximum credit limit. This will give a consumer a good idea of the cost of the product in increments rather than the entire credit limit, which more closely resembles the behavior of consumers as they take draws on their account. It would also provide them the ability to estimate the cost for other outstanding balance amounts. For example, if the monthly cost is 72 cents for a \$1,000 balance, consumers can estimate that the cost when they have a \$2,000 balance would be \$1.44 per month, and so forth. We suggest the following disclosure:

The cost of this product is \$0.72 per \$1,000 of your outstanding loan balance each month. For example, if your outstanding balance is \$1,000, the cost of this product would be 72 cents per month. If your outstanding balance was \$2,000, the cost of this product would be \$1.44 per month.

Closed-end Loans. For closed-end loans, the rule would require that the maximum cost be disclosed per period, together with a statement that the cost depends on the consumer's balance or interest rate. The model form states:

"This product will cost up to **\$118 per month**. The cost depends on your loan balance."

We object to this language for two reasons. First, telling a consumer that the cost depends on the loan balance for closed-end loans is confusing and misleading, and does not provide consumers with important and useful price information applicable to their particular loan. Closed-end loan balances do not increase and decrease erratically as they do for open-end loans. But the disclosure makes it sound as if the cost is going to fluctuate randomly or periodically over time. This is not the case.

⁴⁶ This is discussed in more detail in the CCIA's comment letter submitted in response to this proposal.

Second, the disclosure also lacks precision and therefore does not tell the consumer how the cost works for a particular loan and credit protection product. For example, most credit insurance products are “monthly outstanding balance, decreasing premium”. This means that the premium is charged and collected monthly, and the monthly cost decreases each month as the outstanding balance decreases (assuming the consumer makes all scheduled payments timely). The Board’s disclosure makes it sound like the cost will always be \$118 per month; this grossly overstates the cost. For example, on a \$100,000 loan with a term of 120 months and an interest rate of 5.0%, the first month’s premium is \$61.50⁴⁷. But it decreases each month after that as the consumer pays down the balance. Assuming the loan is paid in full and on-time, the total cost of the coverage is \$4,070.86. If, however, a consumer were to take the Board’s disclosure on its face, and calculate \$61.50 x 120 months, it would appear that the total cost is \$7,380.00. The Board’s disclosure overstates the premium by 181%.

We also are concerned that characterizing the cost disclosure as a maximum and using the Board’s proposed disclosure could subject creditors and insurers to unnecessary litigation risk and consumer complaints. While we understand and agree with the premise that the disclosure is based on circumstances as of the date of consummation, so that rate changes, late payments, etc. that occur after consummation does not make the disclosure inaccurate for Reg Z purposes, it can lead the consumer to believe that the cost will never be more than, e.g., \$118 per month. While in most cases this will be true, occasionally it may not. In the case where an insurer increases rates later (e.g., in the case of a state-approved rate change), or the borrower misses payments, modifies the loan, or other circumstances occur that could increase the premium amount, the disclosure could provide a consumer with a document that he purports to be contractual in nature that can be used against the creditor and/or insurer.

We believe the better approach is to explain that the disclosure is based on the borrower’s initial loan balance, and to explain how the cost will change for that particular product or how the cost affects the loan and the borrower’s payments. In the case of decreasing term MOB products, we suggest that the disclosure would be more accurate and helpful to the consumer if it stated:

Based on your initial loan amount, the cost of this product will be **\$72.00 in the first month**, and is scheduled to decrease each month as your loan balance decreases.

For single-premium products, which add the total cost into the Amount financed, an accurate disclosure might read:

Based on your initial loan amount, the total cost of this product will be **\$533.46**. This amount will be added to your loan balance, will become part of your monthly loan payment, and will be paid down as your loan payments are made.

Based on the above, we suggest that 226.4(d)(1)(i)(D)(3) be revised to read:

(3)(a) for open-end loans, the unit cost of the premium or charge, together with the following instructional statement: *To calculate the monthly cost of this product, divide your loan amount by ___, and then multiply by ___.*

⁴⁷ Based on prima facie rates filed and approved in Minnesota for credit life insurance.

(3)(b) for closed-end loans, a statement of the maximum premium or charge per period, together with a statement explaining how the premium or charge will change for that particular product or how the cost affects the loan and the borrower's payments.

We also ask that the above examples be added to the Commentary.

Other comments regarding the cost disclosure. We seek clarification of proposed Comment 16 to section 226.4(d)(1). This Comment states, *inter alia*:

The creditor must use the maximum rate under the policy or coverage.

This is a wide-sweeping generality that can be interpreted differently by different actuaries and underwriters in the insurance market. We ask that this statement be revised to require the maximum rate that would apply to the particular consumer receiving the disclosure. We ask that this statement be changed to:

The creditor must use the maximum rate under the policy or coverage **that applies to the consumer receiving the disclosure.**

For the reasons above, we ask the Board to retain the unit-cost disclosure for open-end loans (with the additional instructional statement), and to restructure the disclosure requirements for closed-end loans as outlined above.

Disclosing the Cost in the Signature Line. Requiring the cost to be reiterated in the signature line is unnecessary, and insulting to the intelligence of consumers. A couple inches above the signature line, the cost is disclosed in bold, underline print. It does not have to be repeated. This only increases the cost to creditors in programming and mapping this form. It also increases the risk of an inaccurate disclosure if the cost is filled in manually (e.g., human error could result in two different figures being inserted in the two lines), or if the programming is inadvertently faulty. There is simply no reason to reiterate the cost. It is overkill that increases the burden on creditors without providing any additional benefit to consumers.

The Board's Website. As demonstrated above, the Board's disclosures reflect a negative impression of credit protection products and many of its statements are either misleading or inaccurate. We are concerned that the content of the Board's website will be similarly inaccurate, biased, and misleading. We urge the Board to request comments, suggestions, and input from the industry in creating the content of the website.

The Maximum Benefit Amount. This disclosure has nothing to do with whether credit protection products are required as a condition of the loan. In the 2010 proposal, the Board states:

In addition, most credit protection products place limits on the maximum benefit, but the current regulation does not require disclosure of these limits.⁴⁸

⁴⁸ 75 FR 58543 (September 24, 2010).

The current regulation does not require disclosure of the limits because TILA does not require (or allow) such disclosures to be made. (Credit insurance law, however, does require it). This disclosure is unnecessary, and the record is devoid of any justification for such a requirement. This disclosure should be withdrawn.

Length of Disclosures; Disclosure Overload; and Burden to Creditors. The proposed disclosures are unduly lengthy, resulting in disclosure overload for consumers and undue burden on creditors. The Board conveniently uses the simplest product to issue its Model Form – individual credit life. The Model Form is about half a page long. However, this will not be the case for products that include joint coverage, and for debt protection products that have more than one plan. For example, it is not unusual for debt protection programs to offer consumer their choice of 3 or more plans (typically one plan with Death protection; one plan with Death and Disability Protection; and one plan with Death, Disability, and Involuntary Unemployment Protection). Most creditors also offer multiple products. The practical reality is that these disclosures will force creditors to provide to consumers a disclosure that is several pages long, or many separate pieces of papers. It will be difficult for consumers to discern, and for creditors to implement. This is contrary to the Board’s stated objective of avoiding “disclosure overload”. It is also unnecessary because most of this information is already in the product brochures and contracts.

NEUTRAL DISCLOSURES THAT GET CONSUMERS TO ASK QUESTIONS

The Board may believe that the proposed disclosures are neutral and get consumers to ask questions regarding the products that they are purchasing. However, a study conducted by the Consumer Credit Industry Association (“CCIA”) in November, 2010⁴⁹, shows otherwise.

Assuming *arguendo* that the Board has authority to expand the scope and content of the disclosures⁵⁰, we believe such disclosures can, and must, be objective, accurate, and helpful to consumers. We join in the CCIA’s request that its alternative disclosures⁵¹ be adopted instead of the Board’s proposed disclosures.

The CCIA’s alternative disclosures were tested on 400 consumers in November, 2010; the Board’s proposed disclosures were also tested on a different group of 400.⁵² The CCIA has proven that its disclosures are more accurate and less confusing than the Board’s proposed disclosures, and prompted the consumers to ask product-specific questions regarding the product.

For example, the group of 400 that received the Board’s proposed disclosures asked questions and made comments such as, “seems vague”; “seems weird”; and “Why would I buy this product when you TELL ME other people sell it for less?”; and “I guess I’m wondering why anyone would even chance buying it . . . “. These comments show that the Board’s proposal was confusing to consumers, and did not prompt them to ask questions about the substance of the product; rather, it demonstrates

⁴⁹ This is discussed in more detail in the CCIA’s comment letter submitted in response to this proposal.

⁵⁰ We do not concede that the Board has such authority.

⁵¹ Attached hereto as Exhibit L.

⁵² This is discussed in more detail in the CCIA’s comment letter submitted in response to this proposal.

that the consumers came away with the same biased conclusion about credit protection products that the Board has.

On the other hand, the group of 400 that received the CCIA's disclosures asked specific product questions, such as, "Why does it only cover 10 years or until you turn 70?"; and "It does not address if only one or both/joint borrowers apply for the loan".

Moreover, 66% of consumers who received the CCIA's disclosures stated that they were "very clear and easy to understand" while only 49% of consumers who received the Board's proposed disclosures felt the same way.

Assuming *arguendo* that the Board has the authority to issue additional disclosures, and that such disclosures are necessary, I join in the CCIA's request that its disclosures⁵³ be adopted, rather than the Board's. They are objective, clear, and accurate.

Alternatively, rather than using the "Are Benefits Always Payable?" disclosure, it would be acceptable to substitute the pre-existing condition disclosure set forth earlier in this letter.

AGE & EMPLOYMENT ELIGIBILITY PROVISIONS

We have the following objections and concerns to the age and employment eligibility provisions of the proposal:

1. The Board does not have the authority to require eligibility to be checked and documented in order to exclude credit protection products from the finance charge;
2. The rule is unnecessary, as the Board has not demonstrated that age and eligibility requirements are misunderstood by consumers.
3. Assuming *arguendo* that the Board does have authority and the new rule is necessary⁵⁴, we seek clarification as to the standard of "reasonably reliable evidence".

1. The Board Does Not Have Authority to Require Eligibility to be Checked in order to Exclude Premiums and Fees from the Finance Charge and APR. As noted earlier, the Truth-in-Lending Act, 15 USC 106, clearly sets forth the requirements needed in order to exclude premiums and fees from the finance charge and APR. Checking eligibility is simply not one of them.

By requiring eligibility to be checked, the Board is re-writing TILA section 106 by adding a new subparagraph (b)(3), e.g.:

(b) Life, accident, or health insurance premiums included in finance charge.

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**

⁵³ Attached hereto as Exhibit L.

⁵⁴ We do not concede these points.

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof; *and*

(3) the creditor checks the age and employment eligibility of the applicant for credit insurance prior to purchasing the product.

If Congress were to re-write TILA in this way, then the Board would certainly be free to include such a requirement in Reg Z. Unless and until Congress does so, however, the Board has no authority to do so. It must withdraw this proposed rule.

2. The proposed rule is unnecessary. Even if the Board has authority to issue such a rule, it is simply unnecessary. Earlier in this letter is discussed four court cases or enforcement actions that the Board uses to support the proposed eligibility rules. In the 2009 proposal, the Board cited these cases when it stated:

Some creditors offer credit insurance or debt cancellation or debt suspension products with eligibility restrictions, but may not evaluate whether applicants for the products actually meet the eligibility criteria at the time the applicants request the product. (cites omitted). For instance, a consumer who is 70 at the time of enrollment could never receive the benefits of a product with a 65-year-old age limit (citing the *Stewart Finance* case). Similarly, a consumer who is self-employed at the time of enrollment would not receive benefits if the product requires the consumer to be employed as a W–2 wage employee. (citing the *Providian* case).⁵⁵

The *Stewart Finance* case, however, was a blatant case of fraud. The creditor incented its employees to either pack the coverage on without the consumer’s knowledge, or to skirt the rules and “bury” the sale in the loan process. Even if the creditor had been required under Reg Z to check eligibility, it would not have done so. It would have just been one more requirement to blatantly ignore. The only remedy to avoid such a situation was exactly the one taken in the case – the FTC responded to consumer complaints by filing an action against the fraudster, and put it out of business.

The *Providian* case is similar. This bad actor engaged in a pattern of misconduct to mislead and deceive consumers in many different aspects of its credit card program, one of which was its payment protection product. When the OCC brought its enforcement action, it noted that Providian failed to make disclosures regarding significant restrictions and limitations of the products. Providian chose not to follow the existing rules. There is no indication that it would have checked employment eligibility had it been required under Reg Z. The proper remedy was also put into place here – the OCC fined Providian \$300 million dollars and set up a monitoring program to ensure that Providian sold the product appropriately in the future.

⁵⁵ 74 FR at 43248

In the 2009 proposal, the Board also cited a couple other reasons for requiring eligibility to be checked:

Although age and employment eligibility criteria may be set forth in the product marketing materials and/or enrollment forms, the Board believes few consumers notice this information when they obtain credit and choose to purchase the voluntary credit insurance coverage.

Because the product is sold in connection with a credit transaction that is underwritten by the creditor, the consumer may reasonably believe that the creditor has determined that the consumer is eligible for the product. This may be especially true for age restrictions because that information is typically requested by the creditor on the credit application form. As a result, many consumers may not discover until they file a claim that they were paying for a product for which they were not eligible when they initially purchased it. Consumers that do not submit claims may never discover that they are paying for products that hold no value for them.⁵⁶

But the Board cites no basis for their beliefs. It cites no authority that shows that consumers do not notice information in the product application or that they believe they automatically qualify for the credit protection simply because they qualified for the loan. Moreover, the record contradicts their beliefs. The Durkin/FRB report shows that consumers who use credit protection products are very satisfied, and would buy them again. The NAIC statistics show that credit insurance receives *one* complaint for every 42,000 certificates issued. Over two *billion* dollars in claims were paid in 2009.⁵⁷ Surely there would be more complaints, less satisfaction, and less claims paid if consumers were purchasing products that they never qualified for.

Certainly the consumers in the *Stewart Finance* and *Providian* cases “paid for products that held no value for them”. But that is the exception, not the rule, and was a result of a couple fraudsters in the marketplace. The reality is that credit insurance forms are mandated by the fifty states to disclose the age restrictions and “actively at work” requirements, which typically ask the consumer whether he is self-employed. Insurers and financial institutions have a business incentive to only enroll consumers who are eligible. Most insurers will pay a claim if they have been receiving premiums from the consumer; otherwise, they will deny the claim and refund the premium, which puts both the insurer and the financial institution at risk of litigation and presents a customer-relations issue for them. Insurers and financial institutions also have an incentive to ask these eligibility questions at the time of application, because of the underwriting requirements – the cost of the product assumes that consumers over a certain age and/or the self-employed are not eligible to purchase the product and will not do so. If those individuals were allowed to purchase the product, the cost of paying and administering claims would increase the insurer’s and creditor’s costs, thereby making less on the purchase or even losing money on that block of business. As such, commerce and market conditions already police the activities of the players involved.

The same arguments are true for debt cancellation and suspension. Those products follow closely the underwriting, pricing, and eligibility requirements of credit insurance. Securian’s debt cancellation

⁵⁶. Id.

⁵⁷ 2009 Credit Insurance Experience Exhibit, NAIC

product applications clearly state that the consumer must be under x age to be able to apply, and cannot be self-employed to qualify for unemployment protection.

Mandating eligibility to be checked will only provide additional regulatory, compliance, and litigation burden on honest creditors who comply with the law. It will not force bad actors to become model citizens and suddenly follow the law.

The Board should withdraw the proposed rules regarding eligibility.

3. Assuming *arguendo* that the Board has authority to issue the rule and that the rule is necessary, we seek clarification on the “reasonably reliable evidence” standard. The Board sets forth examples of what is “reasonably reliable evidence”. Examples include date-of-birth on the consumer’s loan application, and a letter from the consumers outlining his employment status. If these are acceptable forms of evidence, then we request that a Comment be added to the final rule stating that the consumer’s representations on the product application constitute “reasonably reliable evidence”.

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| PREMIUMS AND FEES SHOULD NOT BE INCLUDED IN THE APR FOR CLOSED-END MORTGAGE LOANS |
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We do not believe that premiums and fees for credit protection products should be included in the APR for closed-end mortgage loans, for the following reasons:

Consumers Do Not Understand the APR. First, as the Board has consistently discovered by its own consumer research, consumers simply do not understand the APR. The vast majority of consumers believe the APR to be the interest rate. The Board recognized this in its recent final rules amending the credit card and open-end lending rules when it eliminated the requirement to disclose the effective APR on periodic statements. In the Supplementary Information to the credit card rules published in the Federal Register on January 29, 2009, the Board said, “[w]ith regard to the effective APR [on periodic statements], testing overwhelmingly showed that few consumers understood the disclosure...” Based on this research, the Board has changed those rules to now require that the terms “interest rate” and “fees” be used, rather than APR and finance charge.

The same principle applies to the APR in closed-end disclosures. Consumers do not understand the APR any better when they are shopping for credit than when it appears on their credit card statements. The Board has already recognized this more than once. First, in its recent final rules for private education loans, it de-emphasized the APR and instead emphasized the interest rate. And in the first proposal regarding this current rulemaking in 2009, the Board once again conducted consumer testing, and reports the results as follows:

Participants in the Board’s consumer testing generally did not understand the APR and often mistook it for the loan’s interest rate. The Board tested alternative descriptive statements and formats for the APR, but consumers continued to be confused by the APR. For example, some participants thought the APR reflected future adjustments to the interest rate, or the maximum possible interest rate for a variable rate loan. A few participants recognized that the APR differed from the interest rate, but were unable to articulate the reason. In addition, when

presented with two hypothetical loan offers, participants did not use the APR to compare and choose between the offers. Instead, participants chose a loan based on one or more of the following pieces of information: the interest rate, monthly payment, and settlement costs. *Federal Register Vol. 74 at 43296-43297.*

Despite this overwhelming indictment of the APR, and consumers' ability to understand it, the Board goes on to state that, based on this research, it will retain the APR disclosure. With all due respect, we are mystified by the Board's logic. This is especially so in light of the fact that, when the Board eliminated the effective APR requirement for credit card statements, it did so because it recognized that additional attempts at explaining the effective APR would simply be fruitless. The Board continues to prove that there is no practical way of getting consumers to understand the APR. We ask that credit protection premiums and fees not be included in the APR.

The Board Does Not Have Authority to Include the Premiums and Fees in the Finance Charge and APR. Second, the Truth-in-Lending Act, 15 USC 106, clearly sets forth the fees and charges that are to be excluded from the finance charge and APR. This includes credit insurance at subsection (b):

(b) Life, accident, or health insurance premiums included in finance charge.

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

This sets forth the clear, black letter intent of Congress to exclude credit insurance premiums from the APR if the above requirements are met. The Board has rightfully extended this same right to debt cancellation and debt suspension products, as they are substantially similar products.

As noted earlier, section 105(a) of TILA generally authorizes the Board to make adjustments and exceptions to TILA to "effectuate the statute's purposes, to prevent circumvention or evasion of the statute, or to facilitate compliance with the statute". 15 U.S.C. 1601(a), 1604(a). The Board does not, however, have the legal authority to blatantly contradict the plain language of TILA.

Incorporating into Reg Z the exact opposite of what TILA sets forth goes beyond "adjustments and exceptions" to the statute. The Board is, in fact, re-writing TILA, as follows:

~~(b) Life, accident, or health insurance premiums included in finance charge.~~

~~Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**~~

~~(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and~~

~~(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.~~

Only Congress can delete a provision in the statute. By the Board's own admission, it has encouraged Congress to adopt such an approach, and Congress has declined to do so. The Board should not now be doing via rulemaking what it could not accomplish by lobbying Congress. This goes beyond the Board's exemption and exception authority. The proposal to include credit protection premiums and fees in the finance charges must be withdrawn.

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| THE BOARD DOES NOT HAVE THE AUTHORITY TO REQUIRE REAL-ESTATE-RELATED FEES TO BE INCLUDED IN THE FINANCE CHARGE |
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Just as the Board has no authority to require credit protection charges be included in the finance charge, it does not have the authority to include the other real-estate fees that it is proposing to include in the finance charge. Doing so would be re-writing TILA section 106 as follows:

~~(d) Items exempted from computation of finance charge in all credit transactions:~~

~~If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:~~

~~(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction;~~

~~(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.~~

~~(3) Any tax levied on security instruments or on documents evidencing indebtedness if the payment of such taxes is a precondition for recording the instrument securing the evidence of indebtedness.~~

~~(e) Items exempted from computation of finance charge in extensions of credit secured by an interest in real property~~

~~The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:~~

~~(1) Fees or premiums for title examination, title insurance, or similar purposes.~~

~~(2) Fees for preparation of loan-related documents.~~

~~(3) Escrows for future payments of taxes and insurance.~~

~~(4) Fees for notarizing deeds and other documents.~~

~~(5) Appraisal fees, including fees related to any pest infestation or flood hazard inspections conducted prior to closing.~~

~~(6) Credit reports.~~

Only Congress has the authority to delete these provisions of TILA.

Additionally, as mentioned above, the Board has repeatedly proven that consumers do not understand the effective APR. The Board should not mandate an all-inclusive APR; it should, in fact, mandate the opposite: it should distinguish between “interest rate” and “fees”, as it has done for credit card statements. This is the most straight-forward and easily understood solution.

The Board should withdraw this part of the proposal.

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| RESCISSION NOTICES |
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We have the following comments regarding the revised Rescission Notice:

Tear-off part of form. We object to the requirement that the Notice must contain a “tear-apart” portion at the bottom of the form, and that that is the only way a consumer can rescind. Currently, lenders are required to provide two copies of the Notice. If consumers wish to rescind, they complete the appropriate portion of the form indicating that they wish to rescind. This is an efficient, effective, and easy way of fully documenting the rescission for both the lender and the consumer.

Using a tear-apart form is unnecessary. The Board’s own consumer research shows that:

Almost all participants said that they would make and keep a copy of the form if they decided to exercise the right.

Using a tear-apart form will require consumers to find a pair of scissors and cut the form, making it into a piece of paper that is only a few inches in height, with very little information on it. It can easily be lost by the consumer, or lost by the lender once it is received, or overlooked in a loan file because other letter-sized or legal-sized paper obscures it. It also makes the form more difficult to scan into the lender’s systems.

In the real world, lenders put their logo, contact information, account number, etc. at the top of these forms to readily identify the creditor, the borrower, and the transaction. This information will not be on the bottom of the tear-apart form (duplicating it at the bottom of the form would be unduly expensive and burdensome to the creditor). The tear-apart form will also not contain the address to

which to send the rescission; if the consumer separates the bottom portion from the top, and misplaces the top portion, they will not know where to send it to. And since time is of the essence with which to mail the notice, it is in the consumer's interest not to delay or hinder the process.

The rule also does not allow for any other method with which to rescind, such as a letter sent by the consumer. This lack of flexibility is unnecessary and burdensome to both the consumer and the lender.

Finally, the tear-apart form has no space for the consumer to sign, and contains no space for the consumer to date it. Without a signature, anyone could send in the notice, leaving a lender without any means of authenticating it. And without a date, there is no way to document when the consumer exercised the rescission rights, or whether they did so in a timely fashion. A form that purports to do something as important and impactful as rescinding a consumer's home loan should not be reduced to two lines of information that can be completed by a first-grader with a crayon. Creditors must be allowed to fully document the rescission in order to manage its litigation risk. And consumers must be allowed to fully document the rescission to protect their rights.

We request that this portion of the rule be withdrawn and the requirement that two copies be given to consumers with one copy signed and returned to exercise the rescission rights be reinstated. To this end, we suggest the following language for the Model Form:

| | |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How to Cancel | To cancel, you may either: (1) Sign this form in the section below and return it to us; or (2) Send us a letter signed by you that asks us to cancel the loan. Send your cancellation to us at: _____; or _____; or _____] |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

For the cancellation section, we suggest:

If you wish to cancel this loan, complete the following section and send it to the address listed above:

I AM CANCELLING THIS LOAN

Name

Property Address

Loan Number

X _____
Signature Date

| |
|-------------------|
| CONCLUSION |
|-------------------|

We respectfully request that the Board withdraw the proposed credit protection disclosures and additional requirements. As presently proposed, the Board does not have the authority to issue such rules, and even if it did, the disclosures are biased, misleading, and inaccurate. Alternatively, we request that the Board revise the disclosures to be more balanced, objective, and accurate.

We also request that the Board withdraw the proposal to include credit protection charges and other fees in the finance charge for real-estate secured loans. The Board has no authority to re-write TILA in this way.

Finally, we ask that our additional comments on the other portions of the rule be considered by the Board. Thank you.

Sincerely,

/s/
Catherine Klimek
Counsel
Securian Financial Group
400 Robert Street North
St. Paul, MN 55101

cc: Rep. Spencer Bachus, Chair, House Financial Services Committee (112th Congress)
Rep. Shelley Moore Capito, Chair, Subcommittee on Financial Institutions and Consumer Credit (112th Congress)
Senator Tim Johnson, Chair, Senate Banking Committee (112th Congress)
Senator Richard Shelby, Ranking Member, Senate Banking Committee (112th Congress)
Rep. Erik Paulsen, R-MN
Senator Amy Klobuchar, D-MN

EXHIBIT A

Press Release

FEDERAL RESERVE press release



Release Date: July 23, 2009

For immediate release

The Federal Reserve Board on Thursday proposed significant changes to Regulation Z (Truth in Lending) intended to improve the disclosures consumers receive in connection with closed-end mortgages and home-equity lines of credit (HELOCs). These changes, offered for public comment, reflect the result of consumer testing conducted as part of the Board's comprehensive review of the rules for home-secured credit. The amendments would also provide new consumer protections for all home-secured credit.

"Consumers need the proper tools to determine whether a particular mortgage loan is appropriate for their circumstances," said Federal Reserve Chairman Ben S. Bernanke. "It is often said that a home is a family's most important asset, and it is the Federal Reserve's responsibility to see that borrowers receive the information they need to protect that asset."

To shop for and understand the cost of credit, consumers must be able to identify and understand the key terms of the mortgage. In formulating the proposed revisions to Regulation Z, the Board used consumer testing to ensure that the most essential information is provided at a suitable time using content and formats that are clear and conspicuous.

"Our goal is to ensure that consumers receive the information they need, whether they are applying for a fixed-rate mortgage with level payments for 30 years, or an adjustable-rate mortgage with low initial payments that can increase sharply," said Governor Elizabeth A. Duke. "With this in mind, the disclosures would be revised to highlight potentially risky features such as adjustable rates, prepayment penalties, and negative amortization."

Closed-end mortgage disclosures would be revised to highlight potentially risky features such as adjustable rates, prepayment penalties, and negative amortization. The Board's proposal would:

- Improve the disclosure of the annual percentage rate (APR) so it captures most fees and settlement costs paid by consumers;
- Require lenders to show how the consumer's APR compares to the average rate offered to borrowers with excellent credit;
- Require lenders to provide final Truth in Lending Act (TILA) disclosures so that consumers receive them at least three business days before loan closing; and
- Require lenders to show consumers how much their monthly payments might increase, for adjustable-rate mortgages.

The Board will also work with the Department of Housing and Urban Development to make the disclosures mandated by TILA, and HUD's disclosures, required by the Real Estate Settlement Procedures Act, complementary; potentially developing a single disclosure form that creditors could use to satisfy both laws.

In developing the proposed amendments, the Board recognized that disclosures alone may not always be sufficient to protect consumers from unfair practices. To prevent mortgage loan originators from "steering" consumers to more expensive loans, the Board's proposal would:

- Prohibit payments to a mortgage broker or a loan officer that are based on the loan's interest rate or other terms; and
- Prohibit a mortgage broker or loan officer from "steering" consumers to transactions that are not in their interest in order to increase the mortgage broker's or loan officer's compensation.

The rules for home-equity lines of credit would be revised to change the timing, content, and format of the disclosures that creditors provide to consumers at application and throughout the life of such accounts. Currently, consumers receive lengthy, generic disclosures at application. Under the proposal, consumers would receive a new one-page Board publication

summarizing basic information and risks regarding HELOCs at application. Shortly after application, consumers would receive new disclosures that reflect the specific terms of their credit plans. In addition, the Board's proposal would:

- Prohibit creditors from terminating an account for payment-related reasons unless the consumer is more than 30 days late in making a payment.
- Provide additional protections related to account suspensions and credit-limit reductions, and reinstatement of accounts.

The Federal Register notices are attached. The comment periods end 120 days after publication of the proposals in the Federal Register, which is expected shortly.

[Highlights of Proposed Rules Regarding Home-Secured Credit \(21 KB PDF\)](#)

[Statement by Chairman Ben S. Bernanke](#)

[Statement by Governor Elizabeth A. Duke](#)

[Board Memorandum--Proposed Amendments to Regulation Z \(Truth in Lending\) \(422 KB PDF\)](#)

Regulation Z--HELOC:

Federal Register notice, Regulation Z--HELOC: [HTML](#) | [5.35 MB PDF](#)

[Key Questions to Ask About Home Equity Lines of Credit \(Attachment A\) \(71 KB PDF\)](#)

[Summary of Findings: Design and Testing of Truth in Lending Disclosures for Home Equity Lines of Credit \(1.29 MB PDF\)](#)

Model forms and samples:

1. [G-14\(A\) \(144 KB PDF\)](#) Early Disclosure Model Form (Home-equity Plans)
2. [G-14\(B\) \(169 KB PDF\)](#) Early Disclosure Model Form (Home-equity Plans)
3. [G-14\(C\) \(233 KB PDF\)](#) Early Disclosure Sample (Home-equity Plans)
4. [G-14\(D\) \(226 KB PDF\)](#) Early Disclosure Sample (Home-equity Plans)
5. [G-14\(E\) \(209 KB PDF\)](#) Early Disclosure Sample (Home-equity Plans)
6. [G-15\(A\) \(140 KB PDF\)](#) Account-Opening Disclosure Model Form (Home-equity Plans)
7. [G-15\(B\) \(234 KB PDF\)](#) Account-Opening Disclosure Sample (Home-equity Plans)
8. [G-15\(C\) \(232 KB PDF\)](#) Account-Opening Disclosure Sample (Home-equity Plans)
9. [G-15\(D\) \(233 KB PDF\)](#) Account-Opening Disclosure Sample (Home-equity Plans)
10. [G-24\(A\) \(133 KB PDF\)](#) Periodic Statement Transactions; Interest Charges; Fees Sample (Home-equity Plans)
11. [G-24\(B\) \(187 KB PDF\)](#) Periodic Statement Sample (Home-equity Plans)
12. [G-24\(C\) \(156 KB PDF\)](#) Periodic Statement Sample (Home-equity Plans)
13. [G-25 \(12 KB PDF\)](#) Change-in-Terms Sample (Home-equity Plans)
14. [G-26 \(11 KB PDF\)](#) Rate Increase Sample (Home-equity Plans)

Regulation Z--Closed-end Mortgages:

Federal Register notice, Regulation Z--Closed-end Mortgages: [HTML](#) | [6.09 MB PDF](#)

[Key Questions to Ask About Your Mortgage \(Attachment A\) \(69 KB PDF\)](#)

[Fixed vs. Adjustable Rate Mortgages Early Disclosure \(Attachment B\) \(80 KB PDF\)](#)

[Summary of Findings: Design and Testing of Truth in Lending Disclosures for Closed-end Mortgages \(2.55 MB PDF\)](#)

Model forms and samples:

1. [H-4\(B\) \(96 KB PDF\)](#) Adjustable-Rate Loan Program Model Form
2. [H-4\(D\) \(92 KB PDF\)](#) Adjustable-Rate Loan Program Sample (Hybrid ARM)
3. [H-4\(E\) \(93 KB PDF\)](#) Adjustable-Rate Loan Program Sample (Interest Only ARM)
4. [H-4\(F\) \(93 KB PDF\)](#) Adjustable-Rate Loan Program Sample (Payment Option ARM)
5. [H-4\(G\) \(63 KB PDF\)](#) Adjustable-Rate Adjustment Notice Model Form

6. [H-4\(I\) \(107 KB PDF\)](#) Adjustable-Rate Adjustment Notice Sample (Interest Only ARM)
7. [H-4\(J\) \(106 KB PDF\)](#) Adjustable-Rate Adjustment Notice Sample (Hybrid ARM)
8. [H-4\(K\) \(54 KB PDF\)](#) Adjustable-Rate Annual Notice Model Form
9. [H-4\(L\) \(116 KB PDF\)](#) Negative Amortization Monthly Disclosure Model Form
10. [H-19\(A\) \(161 KB PDF\)](#) Fixed Rate Mortgage Model Form
11. [H-19\(B\) \(150 KB PDF\)](#) Adjustable-Rate Mortgage Model Form
12. [H-19\(C\) \(169 KB PDF\)](#) Mortgage with Negative Amortization Model Form
13. [H-19\(D\) \(169 KB PDF\)](#) Fixed Rate Mortgage with Balloon Payment Sample
14. [H-19\(E\) \(215 KB PDF\)](#) Fixed Rate Mortgage with Interest Only Sample
15. [H-19\(F\) \(164 KB PDF\)](#) Step-Payment Mortgage Sample
16. [H-19\(G\) \(218 KB PDF\)](#) Hybrid Adjustable-Rate Mortgage Sample
17. [H-19\(H\) \(204 KB PDF\)](#) Adjustable-Rate Mortgage with Interest Only Sample
18. [H-19\(I\) \(151 KB PDF\)](#) Adjustable-Rate Mortgage with Payment Option Sample

[2009 Banking and Consumer Regulatory Policy](#)

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EXHIBIT B

Highlights of Proposed Rules Regarding Home-Secured Credit

The proposal would make the following changes to Regulation Z for closed-end mortgages and for home-equity lines of credit.

For closed-end mortgage loans:

- At application, lenders would have to provide consumers with a one-page list of key questions to ask about the loan being offered. The new Truth in Lending Act (TILA) disclosures are designed to answer those questions.
- The information consumers receive within three days after application would be streamlined to make it easier for consumers to use. By highlighting risky mortgage features (such as possible payment increases, or negative amortization) the disclosures would be more meaningful.
- For adjustable-rate mortgages, lenders would be required to show consumers how their payments might change, for example, by disclosing the highest monthly amount the consumer might pay during the life of the loan.
- The APR would be revised to make it a better measure of the total cost of the loan, by including most fees and settlement costs; many of these fees are currently excluded from the APR.
- The disclosures would show consumers in a simple graph how their loan's APR compares to the average rate offered to borrowers with excellent credit.
- In addition to the early cost disclosures provided at application, lenders would be required to provide final TILA disclosures that consumers must receive at least three days before the loan closing.
- For adjustable-rate mortgages, lenders would have to notify consumers 60 days in advance of a change in their monthly payment (currently notice may be given 25 days in advance).
- For loans where consumers have payment options that allow their loan balance to increase, consumers would have to receive monthly statements explaining this feature.

For all mortgage transactions the proposal would:

- Prohibit payments to a mortgage broker or the creditor's loan officer based on the loan's interest rate or other terms.
- Prohibit a mortgage broker or loan officer from "steering" consumers to a lender offering less favorable terms in order to increase the broker's or loan officer's compensation.

For Home-Equity Lines of Credit (HELOCs):

- At application, lenders would provide improved information that would be more meaningful and easier for consumers to use. The lengthy, generic disclosure currently provided at application would be replaced with a new, one-page disclosure summarizing basic information and risks about HELOCs.
- Within three days after receiving the consumer's application, lenders would provide disclosures specifically tailored to the actual credit terms for which the consumer qualifies. These disclosures provide information about costs and risky mortgage features in a tabular format that consumers have found easier to use.
- At account opening, lenders would provide final disclosures in the same format, to facilitate comparison with the earlier disclosures.
- Throughout the life of the plan, lenders would provide enhanced periodic statements, showing the total amount of interest and fees charged for the statement period and the year to date.
- To the extent a lender can change any terms of the plan, lenders would have to notify consumers 45 days in advance of the change.
- Lenders would be prohibited from terminating an account for delinquency until the payment is more than 30 days late.
- Consumer protections that apply when a consumer's credit line has been suspended or reduced would be strengthened. Creditors would have to provide additional information about the reasons for the action and consumers' right to request reinstatement. The rules also would require lenders to promptly investigate and respond to consumers' request to have their lines reinstated.

EXHIBIT C

Press Release

FEDERAL RESERVE press release



Release Date: August 16, 2010

For immediate release

The Federal Reserve Board on Monday proposed enhanced consumer protections and disclosures for home mortgage transactions. The proposal includes significant changes to Regulation Z (Truth in Lending) and represents the second phase of the Board's comprehensive review and update of the mortgage lending rules in the regulation. The proposed changes reflect the results of consumer testing by the Board, which will begin accepting public comment. The latest proposal would:

- Improve the disclosures consumers receive for reverse mortgages and impose rules for reverse mortgage advertising to ensure advertisements contain accurate and balanced information;
- Prohibit certain unfair practices in the sale of financial products with reverse mortgages;
- Improve the disclosures that explain a consumer's right to rescind certain mortgage transactions and clarify the responsibilities of the creditor if a consumer exercises the right; and
- Ensure that consumers receive new disclosures when the parties agree to modify the key terms of an existing closed-end mortgage loan.

Under the proposal, the timing, content, and format of reverse mortgage disclosures would be changed to make the disclosures more useful to consumers. Currently, consumers typically receive lengthy disclosures when applying that do not explain the particular features unique to reverse mortgages. Under the proposed rules, however, consumers would receive disclosures on or with the application form, using simple language to highlight the basic features and risks of reverse mortgages. Shortly after filling out the application, consumers would receive transaction-specific disclosures that reflect the actual terms of the reverse mortgage being offered.

In developing the proposal, the Board recognized that disclosures alone may not always be sufficient to protect consumers from unfair practices related to reverse mortgages. Reverse mortgages are complex products available to older consumers, some of whom may be more vulnerable to abusive practices. The proposed rules address concerns that in order to obtain a reverse mortgage, some consumers have been forced to buy financial products that can be costly or may not be beneficial, such as annuities or long-term care insurance. The Board's proposed rules for reverse mortgages would address these concerns by:

- Prohibiting creditors from conditioning a reverse mortgage on the consumer's purchase of another financial or insurance product; and
- Requiring that a consumer receive counseling about reverse mortgages before a creditor can impose nonrefundable fees for a reverse mortgage or close the loan.

In addition, the Board is proposing amendments pertaining to all types of mortgages that would:

- Ensure that for all mortgage loans, consumers have time to review their loan cost disclosures before they become obligated for fees, by requiring lenders to refund the fees if the consumer decides to withdraw the application within three days after they receive the disclosures; and
- Clarify that when a consumer requests information from their loan servicer about the owner of the loan, the servicer must provide the information within a reasonable time, which generally would be 10 business days.

The first phase of the Board's regulatory review of mortgage lending rules commenced with the publication of two proposals in August 2009 that would significantly improve the (more) disclosures for closed-end home mortgage loans and open-end home equity lines of credit. After considering the comments received on today's proposal, the Board plans to issue final rules that combine the 2009 and 2010 proposals.

The comment period ends 90 days after publication of the proposal in the Federal Register, which is expected shortly.

Federal Register notice: [HTML](#) | [20 MB PDF](#)

Comments on this proposal: [View](#) | [Submit](#)

[Highlights Document \(42 KB PDF\)](#)

[Key Questions to Ask about Your Mortgage \(Attachment B\) \(266 KB PDF\)](#)

Reverse Mortgages

[Summary of Findings: Design and Testing of Truth in Lending Disclosures for Reverse Mortgages \(2.75 MB PDF\)](#)

[Key Questions to Ask about Your Reverse Mortgage \(Attachment A\) \(86 KB PDF\)](#)

1. [K-1 \(37 KB PDF\)](#) Open-End Reverse Mortgage Early Disclosure Model Form
2. [K-2 \(38 KB PDF\)](#) Open-End Reverse Mortgage Account-Opening Disclosure Model Form
3. [K-3 \(36 KB PDF\)](#) Closed-End Reverse Mortgage Model Form
4. [K-4 \(38 KB PDF\)](#) Open-End Reverse Mortgage Early Disclosure Sample
5. [K-5 \(38 KB PDF\)](#) Open-End Reverse Mortgage Account-Opening Disclosure Sample
6. [K-6 \(37 KB PDF\)](#) Closed-End Reverse Mortgage Sample
7. [K-7 \(9 KB PDF\)](#) Shared Appreciation Model Clause

Rescission

[Summary of Findings: Design and Testing of Truth in Lending Disclosures for Rescission Notices \(853 KB PDF\)](#)

HELOCs:

1. [G-5\(A\) \(22 KB PDF\)](#) Rescission Model Form
2. [G-5\(B\) \(32 KB PDF\)](#) Rescission Sample (When Opening an Account)
3. [G-5\(C\) \(33 KB PDF\)](#) Rescission Sample (When Increasing the Credit Limit)

Closed-end Mortgages:

1. [H-8\(A\) \(32 KB PDF\)](#) Rescission Model Form (General)
2. [H-8\(B\) \(32 KB PDF\)](#) Rescission Sample (General)
3. [H-9 \(32 KB PDF\)](#) Rescission Model Form (New Advance of Money with the Same Creditor)

Credit Protection

[Summary of Findings: Design and Testing of Periodic Statements for Home Equity Lines of Credit, Disclosure about Changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products \(809 KB PDF\)](#)

HELOCs:

1. [G-16\(A\) \(23 KB PDF\)](#) Credit Insurance, Debt Cancellation Coverage, or Debt Suspension Coverage Model Form
2. [G-16\(B\) \(22 KB PDF\)](#) Credit Life Insurance Sample
3. [G-16\(C\) \(22 KB PDF\)](#) Disability Debt Cancellation Coverage Sample
4. [G-16\(D\) \(22 KB PDF\)](#) Unemployment Debt Suspension Coverage Sample

Closed-end Mortgages:

1. [H-17\(A\) \(23 KB PDF\)](#) Credit Insurance, Debt Cancellation Coverage, or Debt Suspension Coverage Model Form
2. [H-17\(B\) \(22 KB PDF\)](#) Credit Life Insurance Sample
3. [H-17\(C\) \(22 KB PDF\)](#) Disability Debt Cancellation Coverage Sample
4. [H-17\(D\) \(22 KB PDF\)](#) Unemployment Debt Suspension Coverage Sample

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EXHIBIT D

Highlights of Proposed Rule Regarding Home-Secured Credit

The proposal would make the following changes to Regulation Z for home-secured credit.

Reverse mortgages:

Reverse mortgages are complex products available to older consumers, some of whom may be more vulnerable to abusive practices. To help consumers understand these complex products, creditors would be required to provide improved disclosures that explain particular features unique to reverse mortgages.

- At application, creditors must provide a new, two-page disclosure which highlights in simple language the basic features and risks of reverse mortgages.
- Within three days after receiving the consumer's application, creditors must provide transaction-specific disclosures that reflect the actual terms of the reverse mortgage being offered. These disclosures must be presented in a tabular format that consumers have found easier to use.
- At least three days before closing the loan, creditors must provide final disclosures in the same format, to facilitate comparison with the earlier disclosures.
- Creditors also must ensure that their advertisements for reverse mortgages are accurate and balanced. For example, an advertisement that states that a reverse mortgage "requires no payments" must also clearly disclose the fact that borrowers must pay taxes and required insurance.

To protect consumers from unfair practices related to reverse mortgages, the proposal would:

- Prohibit creditors from conditioning a reverse mortgage on the consumer's purchase of another financial or insurance product, so that consumers are not forced to buy financial products that can be costly or may not be beneficial, such as annuities or long-term care insurance;
- Require that a consumer receive counseling about reverse mortgages before any nonrefundable fee can be imposed (except a fee for the counseling itself) or the loan can be closed, to help ensure that consumers understand these complex products before they become obligated on the loan; and
- Prohibit creditors from steering consumers to specific reverse mortgage counselors or compensating counselors or counseling agencies, to ensure that the counseling is unbiased.

The consumer's right to rescind:

A consumer generally has three business days after closing to rescind certain home-secured loans, but this right may be extended for up to three years if the creditor fails to provide the consumer with certain disclosures or the notice of the right to rescind. The proposed revisions would:

- Simplify and improve the notice of the right to rescind provided to consumers at closing;

- Revise the list of disclosures that, if not properly made, can trigger an extended right to rescind, to focus on disclosures that testing shows are most important to consumers; and
- Clarify creditors' obligations when the extended right to rescind is asserted, to reduce uncertainty and litigation costs.

Other provisions related to home-secured credit:

The proposal also would:

- Ensure that consumers receive new disclosures when the parties agree to modify the key terms of an existing mortgage loan;
- Ensure that for closed-end mortgage loans, consumers have time to review their loan cost disclosures before they become obligated for any fees (other than a credit report fee), by requiring lenders to refund the fees if the consumer decides to withdraw the application within three days after they receive the disclosures;
- Clarify that when a consumer requests information from the consumer's loan servicer about the owner of the loan, the servicer must provide the information within a reasonable time after the request, which generally would be 10 business days;
- Revise the definition of "higher-priced mortgage loans," which are subject to special protections for subprime loans, to ensure that prime loans are not improperly classified as such loans;
- Conform advertising rules for home-equity lines of credit to rules adopted in 2008 for closed-end mortgage loans; and
- Revise the disclosure rules related to credit insurance and debt cancellation and suspension products to ensure that consumers are fully informed of the costs and risks of these products.

EXHIBIT E

42-yr old female, non-smoker, Standard Health

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|------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------|-------------------|-----------------|-------------------------|-------------------------------------|
|  | Banner Life Insurance Company OPTerm 20 - 20 Year Term | Non-Smoker | 430.00 | 37.63 | 1.18 | Request Application |
|  | Protective Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 430.15 | 37.64 | 1.18 | Request Application |
|  | West Coast Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 430.15 | 37.64 | 1.18 | Request Application |
|  | ReliaStar Life Insurance Company (ING) TermSmart 20 - 20 Year Term | Standard Non-Tobacco | 433.00 | 37.89 | 1.19 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Answers 20 | Standard Non-Tobacco | 435.00 | 38.06 | 1.19 | Request Application |

| | | | | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------|--------|-------|------|-------------------------------------|
|  | American General Life Insurance Company Select-a-Term - 20 Year | Standard Non-Tobacco | 436.50 | 37.76 | 1.20 | Request Application |
|  | Genworth Life Insurance Company Colony Term UL 20 (200K+) | Standard No Nicotine Use | 439.45 | 37.49 | 1.20 | Request Application |
|  | Hartford Life and Annuity Insurance Co Hartford Bicentennial Term 20 | Standard Non-Nicotine | 452.50 | 39.59 | 1.24 | Request Application |
|  | Minnesota Life Insurance Company Advantage Elite Term Life - 20 Year | Standard, Non-Tobacco | 465.00 | 40.69 | 1.27 | Request Application |
|  | North American Co for Life and Health ADDvantage 20 | Standard Non-Tobacco | 465.00 | 40.69 | 1.27 | Request Application |
|  | Transamerica Life Insurance Co (TIIG) Trendsetter Super 20 | Non-Smoker | 465.00 | 40.69 | 1.27 | Request Application |
|  | MetLife Investors USA Insurance Company Guaranteed Level Term 20 | Standard Nonsmoker | 479.00 | 41.67 | 1.31 | Request Application |
|  | Aviva Life and Annuity Company 20 Year Term 01-2010 | Standard Non-Tobacco | 505.00 | 44.19 | 1.38 | Request Application |
|  | American National Insurance Company ANICO Select 20 | Standard Non-tobacco | 525.00 | 45.94 | 1.44 | Request Application |
|  | Liberty Life Insurance Company RBC LevelTERM - 20 Year Term | Non-Tobacco | 540.00 | 46.17 | 1.48 | Request Application |
|  | Lincoln Benefit Life Company TrueTerm - 20 Year | Standard No-tobacco | 540.00 | 47.25 | 1.48 | Request Application |
|  | Nationwide Life and Annuity Insurance Co YourLife(SM) - 20 Year Term II | Nontobacco | 540.00 | 47.25 | 1.48 | Request Application |
|  | Pruco Life Insurance Company Term Essential 20 (<250K PruXpress ONLY) | Non-smoker | 560.00 | 50.40 | 1.53 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Complete - 20 Year | Non-Tobacco | 577.50 | 50.53 | 1.58 | Request Application |
|  | Pruco Life Insurance Company Term Elite 20 (<250K PruXpress ONLY) | Non-smoker | 615.00 | 55.35 | 1.68 | Request Application |
|  | Fidelity Life Association Rapid Decision Term - 20 Year | Standard Non-nicotine | 672.50 | 58.84 | 1.84 | Request Application |
|  | Liberty Life Insurance Company RBC ExpressTERM II - 20 Year | Non-Tobacco | 767.50 | 65.62 | 2.10 | Request Application |
|  | Assurity Life Insurance Company Non Med Term 350 - 20 Year | Standard Non-Tobacco | 770.00 | 67.38 | 2.11 | Request Application |

| Level | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------|-------|------|-------------------------------------|
|  Fidelity Life Association Rapid Decision Mortgage Term - 20 Year | Standard Non-nicotine | 775.00 | 67.81 | 2.12 | Request Application |
|  Independent Order of Foresters Foresters Lifefirst - 20 Year (non-med) | Standard Non-Tobacco | 895.00 | 78.31 | 2.45 | Request Application |
|  United of Omaha Life Insurance Company Term Life Express - 20 Year | Non-Tobacco | 977.50 | 85.53 | 2.68 | Request Application |

Research - We continually research hundred companies to bring you the Top A Rated Life Insurance Companies. Actively engaging companies through our research allows us to give our clients the best value for their hard earned dollar. The Five criteria we use to determine the best companies to place our clients with are 1.competitive pricing, 2. financial stability, 3.underwriting specialization, 4.customer service 5.excellent record of paying valid claims.

Free Term Life Quote represents only companies that excel in all five areas. We monitor the companies on our list to ensure the quality and value of the coverage offer. All of the companies we represent are rated A- (excellent) to A+ (superior) by A. M. Best. Availability of companies and products varies by state. Keeping our clients and their needs first and foremost has served us well as we are a nationwide leader in term life insurance satisfaction.

****The quotes shown are not guaranteed and are estimates only. Your final premium will be determined by underwriter after reviewing full application and medical examination results. Other information obtain through out the underwriting process could affect the insurance companies policy terms, premium or availability.**

*****Health Insurance Portability and Accountability Act:** As part of your application process, the insurer may request a copy of your doctor's records (Attending Physician's Statement).To assist physicians, hospitals and other health care providers comply with the Privacy Rule of HIPAA while retrieving these records, you will be asked to sign a HIPAA authorization to release medical record to the insurer for underwriting purposes.

******The Average Daily Rate is for informational purposes only. Premiums cannot be paid daily or weekly.**

EXHIBIT F

42 year old female, smoker, standard health 12/3/10

FREE LIFE TERM QUOTE
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All Term Life Insurance Quotes are Estimates and not a Guaranteed Premium

Let us help you determine the most appropriate Health Classification

Height / Weight, Medications, Blood Pressure, Cholesterol, Family Medical History







Preferred Plus, Preferred, Standard Plus, and Standard

CALL 877-207-9905



Up to \$250,000 Coverage

Non Medical Exam Click Link Below

[If you would prefer a non-medical exam policy please click here](#)

| Insurance Company And Policy | Rate *** | Yearly ** Premium | Monthly Premium | Average Daily Cost **** | Request Application |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|-----------------|-------------------------|-------------------------------------|
|  United of Omaha Life Insurance Company Term Life Answers 20 | Standard Tobacco | 1,057.50 | 92.53 | 2.90 | Request Application |
|  MetLife Investors USA Insurance Company Guaranteed Level Term 20 | Standard Smoker | 1,061.50 | 92.35 | 2.91 | Request Application |
|  Banner Life Insurance Company OPTerm 20 - 20 Year Term | Smoker | 1,065.00 | 93.19 | 2.92 | Request Application |
|  MINNESOTA LIFE A Securian Company Minnesota Life Insurance Company Advantage Elite Term Life - 20 Year | Standard Tobacco | 1,065.00 | 93.19 | 2.92 | Request Application |
|  American General Life Insurance Company Select-a-Term - 20 Year | Standard Tobacco | 1,071.50 | 92.68 | 2.94 | Request Application |
|  TRANSAMERICA Transamerica Life Insurance Co (TIIG) Trendsetter Super 20 | Smoker | 1,077.50 | 94.28 | 2.95 | Request Application |

| | | | | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------|----------|--------|------|-------------------------------------|
|  | ReliaStar Life Insurance Company (ING) TermSmart 20 - 20 Year Term | Standard Tobacco | 1,080.50 | 94.54 | 2.96 | Request Application |
|  | Protective Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Tobacco | 1,120.14 | 98.01 | 3.07 | Request Application |
|  | West Coast Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Tobacco | 1,120.14 | 98.01 | 3.07 | Request Application |
|  | Genworth Life Insurance Company Colony Term UL 20 (200K+) | Standard Nicotine Use | 1,128.49 | 96.26 | 3.09 | Request Application |
|  | Pruco Life Insurance Company Term Essential 20 (<250K PruXpress ONLY) | Smoker | 1,130.00 | 101.70 | 3.10 | Request Application |
|  | Nationwide Life and Annuity Insurance Co YourLife(SM) - 20 Year Term II | Standard | 1,135.00 | 99.31 | 3.11 | Request Application |
|  | Hartford Life and Annuity Insurance Co Hartford Bicentennial Term 20 | Standard Nicotine | 1,165.00 | 101.94 | 3.19 | Request Application |
|  | Liberty Life Insurance Company RBC LevelTERM - 20 Year Term | Tobacco | 1,167.50 | 99.82 | 3.20 | Request Application |
|  | North American Co for Life and Health ADDvantage 20 | Standard Tobacco | 1,220.00 | 106.75 | 3.34 | Request Application |
|  | American National Insurance Company ANICO Select 20 | Standard Tobacco | 1,235.00 | 108.06 | 3.38 | Request Application |
|  | Pruco Life Insurance Company Term Elite 20 (<250K PruXpress ONLY) | Smoker | 1,242.50 | 111.83 | 3.40 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Complete - 20 Year | Tobacco | 1,247.50 | 109.16 | 3.42 | Request Application |
|  | Aviva Life and Annuity Company 20 Year Term 01-2010 | Standard Tobacco | 1,295.00 | 113.31 | 3.55 | Request Application |
|  | Lincoln Benefit Life Company TrueTerm - 20 Year | Standard Smoker | 1,300.00 | 113.75 | 3.56 | Request Application |
|  | Fidelity Life Association Rapid Decision Term - 20 Year | Standard Nicotine | 1,357.50 | 118.78 | 3.72 | Request Application |
|  | Fidelity Life Association Rapid Decision Mortgage Term - 20 Year | Standard Nicotine | 1,615.00 | 141.31 | 4.42 | Request Application |
|  | Assurity Life Insurance Company Non Med Term 350 - 20 Year Level | Standard Tobacco | 1,652.50 | 144.59 | 4.53 | Request Application |
|  | Independent Order of Foresters Foresters Lifefirst - 20 Year (non-med) | Standard Tobacco | 1,875.00 | 164.06 | 5.14 | Request Application |

| | | | | | | |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------|----------|--------|------|-------------------------------------|
|  | United of Omaha Life Insurance Company Term Life Express - 20 Year | Tobacco | 1,907.50 | 166.91 | 5.23 | Request Application |
|  | Liberty Life Insurance Company RBC ExpressTERM II - 20 Year | Tobacco | 1,942.50 | 166.08 | 5.32 | Request Application |

Research - We continually research hundred companies to bring you the Top A Rated Life Insurance Companies. Actively engaging companies through our research allows us to give our clients the best value for their hard earned dollar. The Five criteria we use to determine the best companies to place our clients with are 1.competitive pricing, 2. financial stability, 3.underwriting specialization, 4.customer service 5.excellent record of paying valid claims.

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EXHIBIT G

42 year old male, non-smoker, standard health, 12/3/10

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Height / Weight, Medications, Blood Pressure, Cholesterol, Family Medical History







Preferred Plus, Preferred, Standard Plus, and Standard

CALL 877-207-9905




Up to \$250,000 Coverage

Non Medical Exam Click Link Below

[If you would prefer a non-medical exam policy please click here](#)

| Insurance Company And Policy | | Rate *** | Yearly ** Premium | Monthly Premium | Average Daily Cost **** | Request Application |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|-------------------|-----------------|-------------------------|-------------------------------------|
|  | ReliaStar Life Insurance Company (ING) TermSmart 20 - 20 Year Term | Standard Non-Tobacco | 533.00 | 46.64 | 1.46 | Request Application |
|  | American General Life Insurance Company Select-a-Term - 20 Year | Standard Non-Tobacco | 544.00 | 47.06 | 1.49 | Request Application |
|  | Banner Life Insurance Company OPTerm 20 - 20 Year Term | Non-Smoker | 545.00 | 47.69 | 1.49 | Request Application |
|  | Genworth Life Insurance Company Colony Term UL 20 (200K+) | Standard No Nicotine Use | 546.21 | 46.59 | 1.50 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Answers 20 | Standard Non-Tobacco | 547.50 | 47.91 | 1.50 | Request Application |
|  | Transamerica Life Insurance Co (TIIG) Trendsetter Super 20 | Non-Smoker | 555.00 | 48.56 | 1.52 | Request Application |

| | | | | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------|--------|-------|------|-------------------------------------|
|  | Protective Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 557.55 | 48.79 | 1.53 | Request Application |
|  | West Coast Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 557.55 | 48.79 | 1.53 | Request Application |
|  | Minnesota Life Insurance Company Advantage Elite Term Life - 20 Year | Standard, Non-Tobacco | 565.00 | 49.44 | 1.55 | Request Application |
|  | Hartford Life and Annuity Insurance Co Hartford Bicentennial Term 20 | Standard Non-Nicotine | 570.00 | 49.88 | 1.56 | Request Application |
|  | North American Co for Life and Health ADDvantage 20 | Standard Non-Tobacco | 592.50 | 51.84 | 1.62 | Request Application |
|  | MetLife Investors USA Insurance Company Guaranteed Level Term 20 | Standard Nonsmoker | 609.00 | 52.98 | 1.67 | Request Application |
|  | Aviva Life and Annuity Company 20 Year Term 01-2010 | Standard Non-Tobacco | 647.50 | 56.66 | 1.77 | Request Application |
|  | American National Insurance Company ANICO Select 20 | Standard Non-tobacco | 662.50 | 57.97 | 1.82 | Request Application |
|  | Lincoln Benefit Life Company TrueTerm - 20 Year | Standard No-tobacco | 672.50 | 58.84 | 1.84 | Request Application |
|  | Pruco Life Insurance Company Term Essential 20 (<250K PruXpress ONLY) | Non-smoker | 692.50 | 62.33 | 1.90 | Request Application |
|  | Liberty Life Insurance Company RBC LevelTERM - 20 Year Term | Non-Tobacco | 717.50 | 61.35 | 1.97 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Complete - 20 Year | Non-Tobacco | 750.00 | 65.63 | 2.05 | Request Application |
|  | Nationwide Life and Annuity Insurance Co YourLife(SM) - 20 Year Term II | Nontobacco | 752.50 | 65.84 | 2.06 | Request Application |
|  | Pruco Life Insurance Company Term Elite 20 (<250K PruXpress ONLY) | Non-smoker | 762.50 | 68.63 | 2.09 | Request Application |
|  | Fidelity Life Association Rapid Decision Mortgage Term - 20 Year | Standard Non-nicotine | 775.00 | 67.81 | 2.12 | Request Application |
|  | Fidelity Life Association Rapid Decision Term - 20 Year | Standard Non-nicotine | 790.00 | 69.13 | 2.16 | Request Application |
|  | Liberty Life Insurance Company RBC ExpressTERM II - 20 Year | Non-Tobacco | 922.50 | 78.87 | 2.53 | Request Application |

| | | | | | | |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------|----------|-------|------|-------------------------------------|
|  | Independent Order of Foresters Foresters Lifefirst - 20 Year (non-med) | Standard Non-Tobacco | 945.00 | 82.69 | 2.59 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Express - 20 Year | Non-Tobacco | 1,035.00 | 90.56 | 2.84 | Request Application |
|  | Assurity Life Insurance Company Non Med Term 350 - 20 Year Level | Standard Non-Tobacco | 1,060.00 | 92.75 | 2.90 | Request Application |

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EXHIBIT H

52 year old male, non-smoker, standard health, 12/3/10

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All Term Life Insurance Quotes are Estimates and not a Guaranteed Premium

Let us help you determine the most appropriate Health Classification

Height / Weight, Medications, Blood Pressure, Cholesterol, Family Medical History







Preferred Plus, Preferred, Standard Plus, and Standard

CALL 877-207-9905

Up to \$250,000 Coverage

Non Medical Exam Click Link Below

[If you would prefer a non-medical exam policy please click here](#)

| Insurance Company And Policy | Rate *** | Yearly ** Premium | Monthly Premium | Average Daily Cost **** | Request Application |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------|-----------------|-------------------------|-------------------------------------|
|  Protective Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 1,232.58 | 107.85 | 3.38 | Request Application |
|  West Coast Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 1,232.58 | 107.85 | 3.38 | Request Application |
|  Transamerica Life Insurance Co (TIIG) Trendsetter Super 20 | Non-Smoker | 1,275.00 | 111.56 | 3.49 | Request Application |
|  American General Life Insurance Company Select-a-Term - 20 Year | Standard Non-Tobacco | 1,279.00 | 110.63 | 3.50 | Request Application |
|  Genworth Life Insurance Company Colony Term UL 20 (200K+) | Standard No Nicotine Use | 1,302.20 | 111.08 | 3.57 | Request Application |
|  ING ReliaStar Life Insurance Company (ING) TermSmart 20 - 20 Year Term | Standard Non-Tobacco | 1,303.00 | 114.01 | 3.57 | Request Application |

| | | | | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------|----------|--------|------|-------------------------------------|
|  | United of Omaha Life Insurance Company Term Life Answers 20 | Standard Non-Tobacco | 1,320.00 | 115.50 | 3.62 | Request Application |
|  | Banner Life Insurance Company OPTerm 20 - 20 Year Term | Non-Smoker | 1,330.00 | 116.38 | 3.64 | Request Application |
|  | Pruco Life Insurance Company Term Essential 20 (<250K PruXpress ONLY) | Non-smoker | 1,360.00 | 122.40 | 3.73 | Request Application |
|  | MetLife Investors USA Insurance Company Guaranteed Level Term 20 | Standard Nonsmoker | 1,369.00 | 119.10 | 3.75 | Request Application |
|  | North American Co for Life and Health ADDvantage 20 | Standard Non-Tobacco | 1,390.00 | 121.63 | 3.81 | Request Application |
|  | Minnesota Life Insurance Company Advantage Elite Term Life - 20 Year | Standard, Non-Tobacco | 1,400.00 | 122.50 | 3.84 | Request Application |
|  | Hartford Life and Annuity Insurance Co Hartford Bicentennial Term 20 | Standard Non-Nicotine | 1,415.00 | 123.81 | 3.88 | Request Application |
|  | Lincoln Benefit Life Company TrueTerm - 20 Year | Standard No-tobacco | 1,485.00 | 129.94 | 4.07 | Request Application |
|  | American National Insurance Company ANICO Select 20 | Standard Non-tobacco | 1,492.50 | 130.59 | 4.09 | Request Application |
|  | Pruco Life Insurance Company Term Elite 20 (<250K PruXpress ONLY) | Non-smoker | 1,495.00 | 134.55 | 4.10 | Request Application |
|  | Aviva Life and Annuity Company 20 Year Term 01-2010 | Standard Non-Tobacco | 1,497.50 | 131.03 | 4.10 | Request Application |
|  | Liberty Life Insurance Company RBC LevelTERM - 20 Year Term | Non-Tobacco | 1,545.00 | 132.10 | 4.23 | Request Application |
|  | Independent Order of Foresters Foresters Lifefirst - 20 Year | Standard Non-Tobacco | 1,547.50 | 135.41 | 4.24 | Request Application |
|  | Nationwide Life and Annuity Insurance Co YourLife(SM) - 20 Year Term II | Nontobacco | 1,802.50 | 157.72 | 4.94 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Complete - 20 Year | Non-Tobacco | 1,870.00 | 163.63 | 5.12 | Request Application |
|  | United of Omaha Life Insurance Company Term Life Express - 20 Year | Non-Tobacco | 2,287.50 | 200.16 | 6.27 | Request Application |
|  | Liberty Life Insurance Company RBC ExpressTERM II - 20 Year | Non-Tobacco | 2,355.00 | 201.35 | 6.45 | Request Application |
|  | Assurity Life Insurance Company Non Med Term 350 - 20 Year | Standard Non-Tobacco | 2,482.50 | 217.22 | 6.80 | Request Application |

| | | | | | |
|-------|--|--|--|--|--|
| Level | | | | | |
|-------|--|--|--|--|--|

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EXHIBIT I

64 year old female, non-smoker, standard health, 12/3/10

FREE LIFE TERM QUOTE
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Let us help you determine the most appropriate Health Classification

Height / Weight, Medications, Blood Pressure, Cholesterol, Family Medical History







Preferred Plus, Preferred, Standard Plus, and Standard

CALL 877-207-9905

Up to \$250,000 Coverage

Non Medical Exam Click Link Below

[If you would prefer a non-medical exam policy please click here](#)

| Insurance Company And Policy | | Rate *** | Yearly ** Premium | Monthly Premium | Average Daily Cost **** | Request Application |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------|-------------------|-----------------|-------------------------|-------------------------------------|
|  | Liberty Life Insurance Company RBC LevelTERM - 20 Year Term | Non-Tobacco | 2,442.50 | 208.83 | 6.69 | Request Application |
|  | Minnesota Life Insurance Company Advantage Elite Term Life - 20 Year | Standard, Non-Tobacco | 2,667.50 | 233.41 | 7.31 | Request Application |
|  | Pruco Life Insurance Company Term Essential 20 (<250K PruXpress ONLY) | Non-smoker | 2,780.00 | 250.20 | 7.62 | Request Application |
|  | Transamerica Life Insurance Co (TIIG) Trendsetter Super 20 | Non-Smoker | 2,875.00 | 251.56 | 7.88 | Request Application |
|  | North American Co for Life and Health ADDvantage 20 | Standard Non-Tobacco | 2,960.00 | 259.00 | 8.11 | Request Application |
|  | Protective Life Insurance Company Secure-T - 20 Year No Lapse | Standard Non-Tobacco | 2,975.11 | 260.32 | 8.15 | Request Application |

| | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------|--------|-------|-------------------------------------|
| UL | | | | | |
|  West Coast Life Insurance Company Secure-T - 20 Year No Lapse UL | Standard Non-Tobacco | 2,975.11 | 260.32 | 8.15 | Request Application |
|  ReliaStar Life Insurance Company (ING) TermSmart 20 - 20 Year Term | Standard Non-Tobacco | 3,023.00 | 264.51 | 8.28 | Request Application |
|  Lincoln Benefit Life Company TrueTerm - 20 Year | Standard No-tobacco | 3,050.00 | 266.88 | 8.36 | Request Application |
|  Pruco Life Insurance Company Term Elite 20 (<250K PruXpress ONLY) | Non-smoker | 3,057.50 | 275.18 | 8.38 | Request Application |
|  Nationwide Life and Annuity Insurance Co YourLife(SM) - 20 Year Term II | Nontobacco | 3,075.00 | 269.06 | 8.42 | Request Application |
|  American General Life Insurance Company Select-a-Term - 20 Year | Standard Non-Tobacco | 3,154.00 | 272.82 | 8.64 | Request Application |
|  MetLife Investors USA Insurance Company Guaranteed Level Term 20 | Standard Nonsmoker | 3,211.50 | 279.40 | 8.80 | Request Application |
|  United of Omaha Life Insurance Company Term Life Answers 20 | Standard Non-Tobacco | 3,247.50 | 284.16 | 8.90 | Request Application |
|  Banner Life Insurance Company OPTerm 20 - 20 Year Term | Non-Smoker | 3,342.50 | 292.47 | 9.16 | Request Application |
|  Aviva Life and Annuity Company 20 Year Term 01-2010 | Standard Non-Tobacco | 3,362.50 | 294.22 | 9.21 | Request Application |
|  Hartford Life and Annuity Insurance Co Hartford Bicentennial Term 20 | Standard Non-Nicotine | 3,510.00 | 307.13 | 9.62 | Request Application |
|  Genworth Life Insurance Company Colony Term UL 20 (200K+) | Standard No Nicotine Use | 3,597.55 | 306.87 | 9.86 | Request Application |
|  Independent Order of Foresters Foresters Lifefirst - 20 Year | Standard Non-Tobacco | 3,790.00 | 331.63 | 10.38 | Request Application |

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EXHIBIT J
DINAMIC FOUNDATION
Disability Income Insurance Summary Illustration
Guaranteed Renewable

Designed for: Valued Client
Rates: Male, Non Tobacco
Occupation Class: A
Issue Age: 30

Prepared by: <Redacted>
Prepared on: 12-2-2010
Issue State: Illinois
Premium: Level

| Policy Information | Amount | <u>Annual Premium</u> |
|-------------------------------------------------------------------------|----------------|------------------------------|
| Base Monthly Benefit | \$1,350 | \$416.25 |
| Elimination Period: 90 Days | | |
| Maximum Benefit Period: 5 Years | | |
| Social Insurance Substitute Rider (SIS) | <u>\$1,350</u> | <u>\$196.56</u> |
| Elimination Period: 90 Days | | |
| Total Monthly Benefit | \$2,700 | \$612.81 |
| Potential Annual Base Benefit (\$2,700.00 x 12 months) = | \$32,400 | |
| *Potential Cumulative Base Benefit (\$2,700.00 x 12 months x 5 years) = | \$162,000 | |

Definition of Disability: Own Occupation and Not Working for the length of the benefit period

| Base Policy Features | | |
|-----------------------------------------------|-------|------------------------|
| Partial Benefit | \$675 | No Charge |
| Maximum Benefit Period for Partial: 12 Months | | |
| Nondisabling Injury Benefit | \$675 | No Charge |
| COBRA Premium Benefit | | No Charge |
| Survivor Benefit | | No Charge |
| Good Health Benefit | | No Charge |
| Presumptive Total Disability | | No Charge |
| Surgical Transplant Benefit | | No Charge |
| Cosmetic Surgery Benefit | | No Charge |
| Rehabilitation | | No Charge |
| Waiver of Premium | | No Charge |
| Total Annual Premium | | <u>\$612.81</u> |
| Semi-Annual | | \$315.13 |
| Quarterly | | \$161.93 |
| Monthly | | \$53.26 |

*This assumes a maximum potential payout if you are totally disabled for the entire benefit period. Actual benefits will vary based on certain factors, such as age at disability and riders selected.

This is an illustration and not a contract



DINAMIC FOUNDATION
Disability Income Insurance Summary Illustration
Guaranteed Renewable

Designed for: Valued Client
Rates: Male, Non Tobacco
Occupation Class: A
Issue Age: 45

Prepared by: <Redacted>
Prepared on: 12-2-2010
Issue State: Illinois
Premium: Level

| Policy Information | Amount | Annual Premium |
|-------------------------------------------------------------------------|----------------|-----------------------|
| Base Monthly Benefit | \$1,350 | \$793.98 |
| Elimination Period: 90 Days | | |
| Maximum Benefit Period: 5 Years | | |
| Social Insurance Substitute Rider (SIS) | <u>\$1,350</u> | <u>\$466.70</u> |
| Elimination Period: 90 Days | | |
| Total Monthly Benefit | \$2,700 | \$1,260.68 |
| Potential Annual Base Benefit (\$2,700.00 x 12 months) = | \$32,400 | |
| *Potential Cumulative Base Benefit (\$2,700.00 x 12 months x 5 years) = | \$162,000 | |

Definition of Disability: Own Occupation and Not Working for the length of the benefit period

Base Policy Features

| | | |
|-----------------------------------------------|-------|-----------|
| Partial Benefit | \$675 | No Charge |
| Maximum Benefit Period for Partial: 12 Months | | |
| Nondisabling Injury Benefit | \$675 | No Charge |
| COBRA Premium Benefit | | No Charge |
| Survivor Benefit | | No Charge |
| Good Health Benefit | | No Charge |
| Presumptive Total Disability | | No Charge |
| Surgical Transplant Benefit | | No Charge |
| Cosmetic Surgery Benefit | | No Charge |
| Rehabilitation | | No Charge |
| Waiver of Premium | | No Charge |

| | |
|-----------------------------|-------------------|
| Total Annual Premium | \$1,260.68 |
| Semi-Annual | \$645.54 |
| Quarterly | \$330.37 |
| Monthly | \$108.98 |

*This assumes a maximum potential payout if you are totally disabled for the entire benefit period. Actual benefits will vary based on certain factors, such as age at disability and riders selected.

This is an illustration and not a contract



DINAMIC FOUNDATION
Disability Income Insurance Summary Illustration
Guaranteed Renewable

Designed for: Valued Client
Rates: Male, Non Tobacco
Occupation Class: A
Issue Age: 60

Prepared by: <Redacted>
Prepared on: 12-2-2010
Issue State: Illinois
Premium: Level

| Policy Information | Amount | Annual Premium |
|-------------------------------------------------------------------------|----------------|-----------------------|
| Base Monthly Benefit | \$1,350 | \$1,986.16 |
| Elimination Period: 90 Days | | |
| Maximum Benefit Period: 5 Years | | |
| Social Insurance Substitute Rider (SIS) | <u>\$1,350</u> | <u>\$1,380.38</u> |
| Elimination Period: 90 Days | | |
| Total Monthly Benefit | \$2,700 | \$3,366.54 |
| Potential Annual Base Benefit (\$2,700.00 x 12 months) = | \$32,400 | |
| *Potential Cumulative Base Benefit (\$2,700.00 x 12 months x 5 years) = | \$162,000 | |

Definition of Disability: Own Occupation and Not Working for the length of the benefit period

| Base Policy Features | | |
|-----------------------------------------------|-------|-------------------|
| Partial Benefit | \$675 | No Charge |
| Maximum Benefit Period for Partial: 12 Months | | |
| Nondisabling Injury Benefit | \$675 | No Charge |
| COBRA Premium Benefit | | No Charge |
| Survivor Benefit | | No Charge |
| Good Health Benefit | | No Charge |
| Presumptive Total Disability | | No Charge |
| Surgical Transplant Benefit | | No Charge |
| Cosmetic Surgery Benefit | | No Charge |
| Rehabilitation | | No Charge |
| Waiver of Premium | | No Charge |
| Total Annual Premium | | \$3,366.54 |
| Semi-Annual | | \$1,719.53 |
| Quarterly | | \$877.90 |
| Monthly | | \$290.08 |

*This assumes a maximum potential payout if you are totally disabled for the entire benefit period. Actual benefits will vary based on certain factors, such as age at disability and riders selected.

This is an illustration and not a contract





AssurityBalance® Personal Disability Income Protection - Form A-D100

PO Box 82533 • Lincoln, NE 68501-2533

Insured: Valued Client
Issue Age: 46
Issue Class: Male, Tobacco
Occupation Class: 1A

Base Benefit Period: 5 Years
Base Elimination Period: 90 Days

Premium Mode: Monthly

Policy Summary

This Individual Disability Income Insurance policy pays you monthly benefits starting after 90 Days of total disability and continuing for up to 5 years, as long as you are totally and continuously disabled as defined by the policy and riders. See page 2 for definitions.

Benefit Summary

During the first 60 months of total disability:

| | |
|----------------------------------------|----------------|
| Base Policy Monthly Benefit ... | \$1,380 |
| SDIR Monthly Benefit* of | \$1,600 |
| Total Monthly Benefit of | \$2,980 |

* This benefit will be reduced if you are receiving any Social Insurance Program Benefits.

The total potential benefit of a claim assuming payment of the total monthly benefit to the end of the benefit period is \$178,800.

Premium Summary

| | |
|--------------------------------------|-----------------|
| Base Policy Monthly Premium | \$99.57 |
| Optional Benefit Premiums: | |
| Supplemental Disability Income Rider | <u>\$60.29</u> |
| Total Monthly Premium | \$159.86 |

**THIS IS ONLY AN ILLUSTRATION, NOT A CONTRACT. AMOUNTS, BENEFITS, TERMS AND CONDITIONS
ARE GOVERNED ONLY BY THE ACTUAL CONTRACT, NOT BY THIS ILLUSTRATION.
THIS ILLUSTRATION IS NOT VALID WITHOUT ALL PAGES.**

EXHIBIT L

OPTIONAL CREDIT LIFE INSURANCE

PLEASE READ THESE IMPORTANT DISCLOSURES

THIS PRODUCT IS OPTIONAL. You do **not** have to buy credit life insurance to get this loan.

| | |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What is it? | Credit life insurance is coverage designed to provide protection for borrowers who take out loans. It is designed to reduce or pay off the outstanding balance on this loan (up to the maximum benefit amount) if you die during the term of the insurance. |
| Do I need this product? | Credit life insurance supplements any existing life coverage you may have by providing protection for this loan. You may wish to speak with your insurance agent about your insurance needs. |
| How much does it cost? | Based on your initial loan amount, the cost of this product will be <u>\$72.00 in the first month</u> , and is scheduled to decrease each month as your loan balance decreases. |
| What is the maximum benefit amount? | This product will pay the insured outstanding balance as of the date of your death, up to \$100,000. You will be responsible for any loan balance remaining after the benefit has been applied to your loan. |
| Are benefits always payable? | <p>You meet the initial age eligibility requirement. However, there are other eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under this product. For example, benefits will not be paid if your death is a result of suicide within the first two years of coverage.</p> <p>You should carefully read the product contract for details.</p> |
| How long does the coverage last? | This product provides coverage for the first 10 years of your loan or until you reach age 70, whichever comes first. |

☐ Yes, I want to buy optional credit life insurance.

☐ No, I do not want to buy optional credit life insurance.

x _____
Signature

Date